



by Marc Bluestone

# Bluestone's Retail Strategies

## *Measurement Matters*

If you've been framing for long, you know that accurate measurements are a prerequisite for properly completing a framing order. Accurate measurements also enhance profitability by causing materials and labor to be more efficiently used.

But there is more than one type of measuring. While the above example is likely to involve a measuring tape and fractions of an inch, other measurements involve data of a statistical nature that business managers can collect, tabulate, and analyze.

Nearly every business owner, of both large and small operations, has come to the realization that information can be used to enhance profitability and productivity. While it would be easy to dream up a hundred different indicators that we could measure, such an approach would likely result in too much data, too many conclusions to be drawn, too many headaches—and not enough positive change.

Instead, I would like to propose that for a small business, the best chance of effectively establishing and managing by metrics is to keep the number of things we measure small, and to focus on factors that can be readily acted upon. For the balance of this article, I would like to recommend several factors that you might wish to consider measuring and provide some thoughts on how you can analyze and make improvements based on what you find.

### **Cost-of-Materials**

**What Is It?** Cost-of-materials measures the cost of all of the materials you sell, expressed as a % of sales.

**Why Measure?** Cost-of-materials measures the effectiveness of your pricing strategy and is a predictor of your profitability.

**How To Measure?** Total cost of all materials that you sell, divided by total selling price.

**What To Do?** You should have a budget (perhaps a projected profit & loss statement). One of the numbers in your budget will project how much you intend to spend on materials for your projected level of sales. The job of your pricing strategy is to cause your results to meet or exceed that projection.

By measuring cost-of-materials on a monthly basis, you can see if your pricing strategy is working. A cost-of-materials that is too high means that you may need to raise your prices. A cost-of-materials that is lower than expected may be a great thing. Or, if accompanied by a too low conversion rate (*see next page*), might indicate that your prices are too high.

An unexpected increase in cost-of-materials could point to inefficient use of materials, increased vendor prices without a corresponding increase in your retail prices, or employee theft.

## Conversion Rate

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**What Is It?** Conversion rate measures your effectiveness at making a sale to someone who enters your store.

**Why Measure?** One of the most precious resources we have is a customer walking in the door. Our ability to successfully turn shoppers into buyers directly affects our sales.

**How To Measure?** Total Customers Sold, divided by Total Customer Opportunities

**What To Do?** Low conversion rates can mean many things...

- You may need to evaluate selling skills.
- You may be having difficulty establishing credibility.
- You might be designing to your taste rather than that of your customers.
- Your prices might be too high compared to competitors.
- You might not be establishing the value of custom framing.
- Discrepancies among employees may be telling of their individual effectiveness while company-wide statistics may be indicative of an organizational problem.

Interestingly, a conversion rate of 100%, while impressive, may indicate that your prices are too low.

## How Do Customers Find Your Store?

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**What Is It?** An objective way of measuring the factors that cause customers to choose to visit your store.

**Why Measure?** If you know how people find your store, you can make informed decisions as to how to reach out for more customers. Also, if you advertise expecting a response, you can use this information to measure the quality of your advertising decisions.

**How To Measure?** Ask customers what caused them to choose you. Record their response and separate into categories. Compile and analyze.

**What To Do?** You will need to make decisions based on the information that you compile. For example, if 40% of your new customers find you by passing by, you might want to dedicate resources to further leverage your presence to those passing by.

If you have executed a small direct mail effort with disproportionately positive results, you might want to budget to expand that effort.

If you have a significant yellow pages presence and little to show for it, you might consider reducing your spending.

## New or Repeat Customer?

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**What Is It?** Measures the ratio of new customers to repeat customers.

**Why Measure?** Most framing businesses depend on repeat customers for a large portion of their business. However, our growth and long-term success depends upon bringing new customers through our doors.

**How To Measure?** Determine whether a customer is new or repeat. Express as a ratio.

**What To Do?** Over time, establish a “norm” through experience. For example if you had 500 customers last year and 100 were new (400 repeat), then your experience might be that your ratio of repeat customers to new customers is 4:1.

If you experience significant variation from your established experience, you might want to view it as a warning signal and try to isolate the cause.

For example, a decrease of new customers might indicate a lack of activity on your part to advertise to potential customers.

A decrease in existing customers might indicate an ongoing failure to meet their high expectations. It could also point to a competitor being unusually aggressive.

Either way, it is best to be alerted to changing trends before they become too established.

## Top Selling Mouldings

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**What Is It?** Measures the moulding styles that sell best in your store.

**Why Measure?** If you are aware of your best selling mouldings, then you may be able to buy them more effectively.

**How To Measure?** Generate reports using your point-of-sale software. Lacking that, ask your vendors for reports of your purchasing. Measure by feet and also by # of times sold.

**What To Do?**

- Many shops with the ability to chop their own

moulding will purchase length moulding on an “as-needed” basis (one or two sticks at a time).

- If you can identify your top sellers reliably, over a period of time, you may be able to achieve substantial savings by purchasing those top sellers in box quantity. Not only will your costs be lower, but you will likely achieve a higher yield and less spoilage.
- If you purchase always as chop and you identify several high volume styles, you may be able to justify purchasing the equipment necessary to chop your own moulding (even if you only chop your top styles and still buy the rest as chops).

## Quality of Sale Metrics

**What Is It?** These indicators include such information as:

- % of Orders Sold With Fillets
- % of Orders Sold With Upgraded Glazing
- Average \$ Value of Moulding Sold
- Average Mat Width Sold

**Why Measure?** More than most retail environments, the selling process for custom framing enables the astute designer to shape the demand for the product we sell. In other words, we exert an influence on our customer based upon the products we choose to show them.

Measuring indicators related to quality of sale create an awareness on the part of the designer that encourages them to add components to the framing design that will please the customer and result in a potentially higher-value sale.

**How To Measure?** Some point-of-sale software creates reports for these indicators. If you do not have that capability, it can be manually calculated as follows:

- # of Orders Sold With Fillets, divided by Total # of Orders
- # of Orders Sold With Upgraded Glazing, divided by Total # of Orders
- Average \$ Value of Moulding = Total selling price of moulding, divided by # feet of moulding sold
- Average Mat Width = Sum of one side of mat on each frame sold with mats, divided by # frames sold with mats

*(The sample form on the previous page can be utilized to manually track and figure the information above.)*

**What To Do?** Compile these numbers for a period of time before doing anything. If you have multiple employees, compare their level of success. After you have achieved a level of familiarity with your performance (and your employees’ performance), begin to influence variables that affect that performance. This includes:

- Consistency in showing the features or products measured.

Sales Quality Tracking Form										
		Name _____				Week Ending _____				
#	Date	Customer Name	Ticket#	Total Price	# UI	Midg. Price	# Ft. Midg.	Mat Width	Fillets	UV Glass
1									Y / N	Y / N
2									Y / N	Y / N
3									Y / N	Y / N
4									Y / N	Y / N
5									Y / N	Y / N
6									Y / N	Y / N
7									Y / N	Y / N
8									Y / N	Y / N
9									Y / N	Y / N
10									Y / N	Y / N
11									Y / N	Y / N
12									Y / N	Y / N
13									Y / N	Y / N
14									Y / N	Y / N
15									Y / N	Y / N
16									Y / N	Y / N
17									Y / N	Y / N
18									Y / N	Y / N
Totals									# Y / # N	# Y / # N
Average										

*This sample form contains areas for which you can track sales information. To utilize this form, photocopy and enlarge it for use in your shop. Or, go to the PFM website to download—link is <http://www.pictureframingmagazine.com/downloads/bluestonesalesform.pdf>.*

- Quality of displays present to demonstrate products.
- Amount of training available to enable success.

In addition to the six factors included in this article, you could no doubt come up with dozens more that might meet your needs. However, for most small business owners, an attempt to measure too many factors might just result in a big pot of information with little meaningful benefit to show for the effort.

Instead, use your knowledge of your business to determine where you could benefit most from objective information. Then, in the spirit of “you can’t manage what you don’t measure,” begin to compile enough information to shed some light on your selected area of concern. At the end of the day, measuring, analyzing, and, eventually, managing based on key performance statistics will help you to create a stronger, more focused business.

Marc Bluestone is president of FrameGroup Incorporated of St. Louis, MO. FrameGroup operates 10 custom framing stores, a commercial framing division, and an internet art business. Before starting his own business, Marc held retail management positions in sales, merchandising, and operations and was vice-president of a publicly-held retail company.