

# The Montana Project

## Part 5: Moulding Samples and Selection

*Editor's Note: The Montana Project, which began in the September 2002 issue of PFM, strives to see if business principles that work in a metropolitan market will work in a rural location. Derek and Christine Vandenberg, owners of Frame of Reference, in Bigfork, MT are working with Jay Goltz, owner of Artists' Frame Service in Chicago, IL, to apply tactics he's used in his business to their operation. In this and following installments we'll follow the progress.*

### From Derek and Christine:

One of the first questions Jay asked when visiting our store last April was, "How many corner samples do you have?" We estimated about 3,500. From a profitability standpoint, we realize having this many mouldings means that we're seldom able to buy anything in large quantity. We are, in theory, leaving money on the table. What follows is a discussion about this issue that we conducted with Jay through e-mail over the course of several weeks.



Derek and Christine Vandenberg, owners of Frame of Reference

**Jays Says:** After taking a tour of your store and seeing the amount of moulding corner samples you have in your shop, I can see there's a need to reduce this inventory.



Jay Goltz, owner of Artists' Frame Service

**Derek:** One of the reasons we need more samples [than the average frameshop] is that our customer base is so diverse. My supposition is that your customers are almost entirely Chicagoans. You design for what is essentially an urban, reasonably upscale environment.

Our clientele is markedly different. We have locals who tend towards inexpensive metals and simple woods because they're price-driven rather than design-driven. We have people who've bought their "piece of Montana." This means using barnwood to large burls—

rustic and outdoorsy. We also have visitors and part-time residents who wish to decorate for their usual environment; they generally follow the trends of larger urban areas. Add in the occasional closed corner customer and the ones who love

funky frames (one woman in particular frames several pieces each month and wishes to use a different moulding each time).

Take [the usual corner sample] mix, throw in some marquetry, some burls, some "wormwood," some rough golds and silvers, and a handful (okay, a few boxes) of interesting patterns, and we're approaching 3,000 samples. Our saving grace: We've only got samples on 16' of wall space, with four sliding panels bringing total display space up to 32'.

**Jay:** I accept your premise, but that doesn't mean you should shut off your brain and go with whatever feels good. This is a case of being a corner sample junkie.

How many corners do you need to have a great selection? Is the answer always "the more the better?" There is a point when that becomes counter-productive because of display space or the time it takes to find a corner.

My point is this: If you don't manage your corners, they will manage you. How long does it take to eliminate discontinueds and do price updates? How long before they are clutter, boxes under the work tables?

Successful business is about being in control. My definition of control is knowing what is going on and making sure what you want to happen happens. What do you want to happen? You want to triple your net income. How do you do this? Increase sales and control costs. How do you control costs? By getting better pricing from buying more from fewer vendors and by spending less time looking through samples that you haven't sold in three years.

As with everything, we need to do some analysis. First, how many corners *do* you have? Second, how many frame jobs do you do per year? My guess [to the second question] is about 1000. How many times do you use the same frame in one year? [An average of] three times? That means that you actually used 333 mouldings this year, or only 16% if you have 2000 samples.

Does that make sense to you? Do you think that your customers would be less happy if you had 1500 samples? It's extremely unlikely—you aren't using 84% of them anyway! On the other hand, how much money have you wasted because you haven't made any deals with your suppliers since you don't give any of them enough volume to justify it?

Digest this three step recovery program, the recovery being *lost profits for no reason*. 1. Admit you

have a problem. 2. Analyze the numbers. 3. Do something about it. Make a plan and come up with a number that makes sense.

**Derek:** There's no doubt that we, like many framers, have a serious corner sample problem. We are sample junkies. At any rate, we've successfully completed the first step to your recovery program — we know that we have a problem.

Here are some of the decisions we've made. First, we absolutely have to sort through the boxes and piles of samples that we've amassed, redo the panels out front, and return (or throw away) several hundred samples that we don't use.

Finding the time to actually do this is another matter entirely. We've also been putting it off because we're expecting samples (!) we ordered at the Atlanta show. We also need to install two sets of drawers to hold fillets and metal samples.

We've started to narrow things down by deciding whom we're going to continue buying from. Many vendors offer a discount to loyal customers. We have decided that the first companies to lose wall space will be those that don't offer us an incentive to buy their product, particularly on the basics that are available from nearly everyone. This will knock a few of the smaller players off the wall, and even a big one or two.

Next, while we're both committed to the concept of corner samples as advertising, I must admit that we devote too much room to samples that we think are "cool" but are not likely to sell. Rather than putting up a

whole color series of a [single] cool, funky profile, we're going to narrow the selection to one or two of the best colors, and the rest will go in (more) boxes that are labeled.

I doubt that this will take us below 2000 samples, with 1500 or so showing. Neither of us is willing to give up samples just because they don't sell; if they look good on the walls and people remember that, isn't it likely that they'll come back for framing?

I understand the reasoning behind showing fewer samples in terms of increasing profit. But here's the part that I struggle with: I'm one of those really annoying people that remembers all sorts of useless things. So, most of the time, I have a good idea of what's available from our vendors,

whether we show the sample or not. Because of that, I will often look at a particular piece of artwork and "see" the perfect moulding for it in my head; and I want to be able to show it [to the customer], hence my desire to have lots and lots of samples.

How do you get beyond knowing that there's something better out there, but only showing the customer what you've got available? I estimate that this is the case about maybe 2% of the time. You're right about our numbers—we frame around 1000 pieces annually—meaning that this hypothetical "perfect moulding" scenario happens a couple of times a month. That seems like a lot of instances of not providing the best framing available.

**Jay:** I have three answers. First of all, there probably are times when it makes sense to order a moulding that fits better, in a different size, or in a different color than what you have. [It's] not very often if you have 2000 samples.

Then there are times that the "perfect" moulding exists only in *your* head. The customer would be just as happy with one of the samples you have, but as you say, you remember useless things. You will *not* end up with a happier customer because of your need to play out the Cinderella shoe scene.

That leaves us with the third and last category of (at best) "not worth the trouble," or (at worst) "no good deed goes unpunished." If you order a corner sample, the customer is going to have to make another trip. In some cases, it will

be worth the trouble, since some customers have absolutely nothing else to do. Other times it will be a hassle.

The other option is to order the frame without seeing a sample. You then set yourself up for the “that doesn’t look like I thought” scenario. Maybe it only happens one out of ten times, but that once can eat up the profit on the rest.

You might want to cut back on reading moulding catalogs. We need to get you out more.

**Christine:** Corner samples: we’ve got a bunch. I think the longer we keep them in boxes, the more they reproduce. They sit in the dark making fillets. Using your program for sample junkies, here is how I see fixing our situation.

*Step One* — We have admitted we

have a problem. The samples are all over the place. We dig in the boxes looking for samples more often than I care to admit, for one of two reasons: first, because the customer is just not satisfied with what we have showing on the sample wall out front, or second, we know we have something better in the back.

This happens a lot, because either new samples have come in and are still in the box, or because we sent a box to a customer to look at, or took a sample case to someone’s house, or had a reception and swept all the samples off the counter into a bag and never put any of these back on the wall.

*Step Two* — Analyze the numbers. Right now there are 1,529 samples on our wall, including the one that jumped off

while I was counting. We probably have another 1,000 in boxes and bags, so let’s say we have 2,500.

I bet we frame closer to 1,200 pieces per year including the pieces we build for our gallery. Using samples three times per year with these numbers still gives us 16% usage. We have a few customers who skew the average, like the woman who frames each of her items in a different moulding. In the past four and a half years, I would guess we have used closer to 30% of our samples.

*Step Three* — Make a plan. First and foremost, I want Derek to agree that we can throw away any samples I find in the garage. This will both get rid of some samples and put us one step closer to being able to park the car in the garage. Next, when we go through the boxes and bags I think we will surprise ourselves by the number we are willing to part with.

Lastly, we need to re-evaluate how we use our sample wall. On our 16’ of visible wall space devoted to samples, we use the first, most prominent row for our current favorites. Right now that row is dedicated to funky [mouldings] and finished corner frames that [have] been selling well for us.

For the rest of the boards, we need to come to terms with the life cycle of a sample. The brand new stuff that we are really excited about goes right out on the wall. The somewhat tired stuff that doesn’t fit on the wall but may still sell goes in a limited number of boxes. And the really stale stuff? Right out the back door. ■

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*Next Month: The Cash Flow and Credit Card Game*