

Successful Retailing: The Business of Framing

Part Two: Discussing Discount Coupons

At the 2001 West Coast Art & Frame Show, the National Conference sponsored a breakfast panel event titled

“Successful Retailing: The Business of Framing.” The panel consisted of respected businessmen in the industry: Marc Bluestone, President of Art and Frame, Inc.; Bruce Dale, President & CEO of Aaron Brothers; Jay Goltz, President of Artists’

Frame Service; Steve Lowrey, President & CEO of Franchise Concepts, Inc.; Rob Markoff, President of Artrageous!; James Miller, President of ARTFRAME, Inc.; and Steve McKenzie, Senior VP, Marketing at Larson-Juhl.

Its question-and-answer format was moderated by Bruce Gherman, publisher of Picture Framing Magazine. In this and future issues of PFM, we will feature transcripts of this enlightening industry event.

QUESTION:

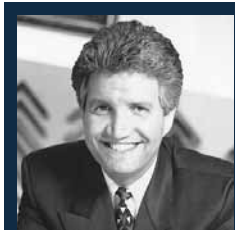
Do discount coupons

work?

Do you use them?

Why

or why not?



Jay Goltz
President
Artists' Frame Service

Jay Goltz: I like ice cream, but I wouldn't eat ice cream for every meal. I would suggest you treat coupons like ice cream. A little bit might be appropriate sometimes, but a steady diet is dangerous.

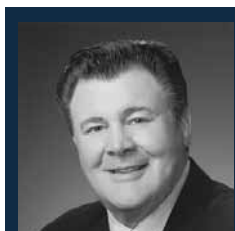
We are in a non-seasonal business. We don't have winter coats to get rid of at the end of winter. We don't have plants to sell before the start of winter. The products we sell are the same every

single day of the year.

It's difficult to tell to customers, after showing them a frame design that costs \$240 and explaining that it is a custom product with hand made materials, why the next time they come in you are having a 30% off sale. It's not good for price integrity.

My doctor doesn't have sales; my car mechanic doesn't have sales. Use a coupon for new move-ins, maybe, or on a similarly selective basis. It's not a good thing to get hooked onto because in the long run it hurts your price integrity.

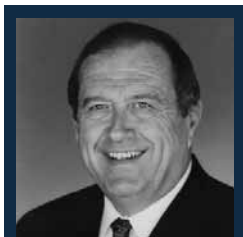
A while ago one of the chains (no one here on this panel) started a coupon mania with a constant \$20 off offer. That company makes its money on franchise fees. The more sales there are, the more money they make. Whether the franchise owners make more money isn't their biggest concern.



Steve Lowrey
President & CEO
Franchise Concepts, Inc.

Steve Lowrey: It works to use coupons occasionally to attract new customers. The key is how well you service that customer. How creative are you? How happy are they with your service? The goal is to make that customer so happy and so pleased with your work that the next time they see a coupon, they don't go for it.

We believe coupons are good to use a couple of times a year, but it's not in the best interest of our franchise owners to constantly use coupons and deteriorate their profit. We teach owners to get off coupons as soon as they can.

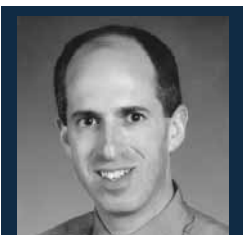


Bruce Dale
President & CEO
Aaron Brothers

Bruce Dale: For a long time, the framing business at Aaron Brothers was driven by 50% off coupons. In 1998, we made the decision not to do that any longer, and we never skipped a beat.

The problem with coupons—particularly ones that offer a large dollar amount off—is that we tell customers that without the coupon they are being ripped off. It's like saying, "If I can afford to give you 50% off today, then I am really overcharging you tomorrow." Determine a good, fair price and don't discount yourself. Otherwise, you're only telling customers, "My regular price is way too high."

There are chains that use coupons, but we don't. There are things to talk about in a custom framing ad—that we do talk about—other than price.



Marc Bluestone
President
Art and Frame Inc.

Marc Bluestone: I use coupons. I use a lot of coupons. But I wouldn't necessarily recommend coupons. We used them as a way to claw our way into a busy market. We did it when we first started, and we were immediately doing a lot of business. In one little store with a 14x17-foot showroom, we did \$250,000 in our first

year of business. We did it with coupons, and yes, we made money.

Soon, we started adding stores and our competitors—both franchise and independent stores—started using coupons. We turned St. Louis into a coupon-driven market. It's hard to get off; it's like a drug.

However, if you are fighting for survival, then coupons are an opportunity to stay in business long enough to come up with a "Plan B." There are valid ways to market with coupons, discounts, incentives or special offers. But, in general, they are difficult to wean yourself from and you should tread cautiously.



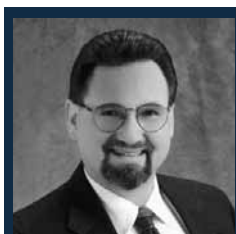
Steve McKenzie
Senior V.P. Marketing
Larson-Juhl

Steve McKenzie: What Marc said last is vitally important. When you use coupons, you have made a conscious decision to make price the issue for all the framers in your area. You are leading that local market to price awareness. Once the whole market is in it, you can't get out. Approach it from the con-

sumer's perspective: you've said, "The most important thing about custom framing is price."

I worked at Sherwin-Williams when mini-blinds were 50% off. Eventually, we had to raise the retail price so we could go to 60% off, and then raise it again to go to 70% off. Finally, Levelor began selling direct to consumer because there was no money left in the industry.

I don't disagree that coupons are a wonderful way to drive traffic at specific times, thank your best customers, or welcome someone to a community, but to use them perpetually is a downward spiral. You've said to the consumer, "I sell something that is a commodity item, I have no value, please consider price when you make your decision buying frames today."



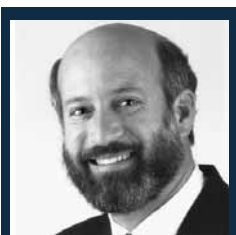
James Miller
President
ARTFRAME, Inc.

Jim Miller: We use coupons occasionally for promotional purposes. The bottom line is that it is a promotional expense. If the coupon is a promotional device and generates enough profit to pay for itself, then it's okay.

Still, it is an erosion of our market. Are Americans so dumb as to believe that 50% off is a good deal? I don't think so.

Marc Bluestone: I think Americans like an honest value. Whether your coupon price is honest is something only you know. We make sure our regular retail price is never higher than some of the better custom framers in town. That's an integrity issue for me.

We are able to maintain profit while using coupons because we can buy better, because we have a framing facility that can produce quality, and we have other competitive advantages. We can still make money when, maybe, a single store couldn't. If you must raise your prices above the regular retail of your market just so you can offer a big discount, that's a warning flag.



Rob Markoff
President
Artrageous!

Rob Markoff: People should know that if they are using a moulding company's suggested retail chart and plan to offer a coupon with a discount off of that price, then they will be on the treadmill for the rest of their life. Those charts were never factored in anticipation of the retailer giving 25% or 30% off. My final thought: a discount is a self-inflicted wound. ■