



Ken Baur



Marc Bluestone



Steve Dodd



Randy Nipper



Jim Parrie



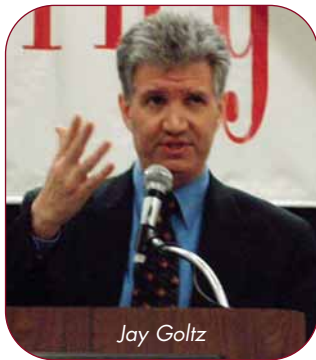
Robert Sher

Successful Retailing: The Battle for Market Share

Part One: The Challenge of OEM Framing Operations

Question:

“How has the OEM framing market, which produces the pre-framed pictures found in places like Walmart and furniture stores, affected our industry?”



Jay Goltz

This is the first in a series of articles transcribed from the National Conference Annual Business Breakfast Panel at the 2004 West Coast Art & Frame Show in Las Vegas. Look for additional discussions from the event in the next several issues of PFM.

MODERATOR

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president and founder of Goltz Group, Inc.

PANELISTS:

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president of Framing Concepts

Marc Bluestone:

president and owner of FrameGroup, Inc.

Steve Dodd:

president of Northwest Framing

Randy Nipper:

senior vice president of sales at Crescent

Jim Parrie:

owner of Millennial Technologies & Consulting International

Robert Sher:

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Jay Goltz: People today can buy art in a number of places. They can buy it in galleries. They can buy it in retail stores. They can buy it framed or unframed. Ten years ago, framed pictures in a furniture or department store were pretty bad. But these days, with CMCs, it's hard to find a mat with an overcut. Most of the moulding in those stores, while it might not meet the standards of a custom framer, is not bad. While 10 percent or so of the population buys custom picture framing, a lot more buy framed pictures elsewhere. The first question [that we want to discuss here] is, how has the OEM market—which produces the pre-framed pictures you buy in Walmart or a furniture store—affected our industry?

Jim Parrie: When we first got into the custom framing business, what separated us from the big box retailers and furniture stores was the fact that we offered quality. We offered acid-free mats, UV glass, no overcuts, archival mounting. Today, OEMs and big box retailers are also offering those. I'm currently working on an OEM facility that is producing thousands of units a week with UV glazing, archival mats, Nori wheat starch paste hinging, and acid-free Foamcore. We're talking hand-signed lithographs, original art. They use exactly the same equipment you can buy at this show, only it's faster. Their training techniques are to FACTS [Fine Art Care and Treatment] standards. These manufacturers are producing 5,000 or 10,000 units per week and are sucking that business out of the local framing market.

Today, the exact same equipment that is being sold on the floor here [at the show] is being purchased and shipped overseas to factories that are being built to U.S. and Western standards. They're producing the same or better quality than you can find in the average custom frame shop. Their big advantage is less-expensive labor. And instead of buying moulding a stick at a time, they're manufacturing it in container loads. Today, you can no longer differentiate yourself by saying we only sell UV glass, or that you use only Nori wheat starch paste hinges because the OEMs are doing exactly the same thing you are. But instead of doing 50 units a week, they're doing 5,000 or 10,000.

Ken Baur: I still see a lot of hope in the custom framing industry. We [at Framing Concepts Gallery] have only been dedicated to it in the last two years, but we've realized a lot of things we set out to do. Because it's one of the last to get onboard with some of the technology available, I think this industry has a lot of upside to it. Framers are just realizing how some of the tools and techniques out there can be used when done in a businesslike manner. What Jim said shows that a lot of things are leading to new challenges, but it also shows how much demand there is for framed art.

Randy Nipper: The OEM marketplace is one of the greatest threats to the market share that has traditionally gone to the custom picture framer. It has matured quite rapidly over the last 10 years. There is also a growing degree of segmentation amongst the OEMs as they have expanded into the higher quality end of framing. They are now working from one price end of the market to the other, which has allowed

mass-produced, framed artwork to be more accessible to a broader market. This is now cutting into your market share. It's a key factor in how many units are hung in America's households and office buildings.

A related factor in the expansion of ready-made, framed artwork from OEMs is it is being more creatively framed and matted than ever before. They are putting a great amount of energy and resources into keeping up



The panel discussion, which occurred at the 2004 West Coast Art & Frame Show, was attended by more than 300 industry members.

with color, design, and texture, in addition to overall quality. It's not just conservation but the whole design of the package. In many cases, they are doing a fine job of framing. This is yet another factor framers have to consider in positioning themselves in a competitive and diverse marketplace. You have to keep asking yourself if you're keeping up with the latest in design, color trends, and textures available for use in framing to stay competitive and to attract the greatest customer base possible.

Rob Sher: An absolutely amazing amount of product is sold by OEMs—tens of millions every year. And that's intimidating. On another level, what's happened is that framed art has become more of a product. While the largest OEMs are producing a product very efficiently and at a very good price, it's also created the opportunity for consumers to walk into a Target and grab something off the shelf.

But there's a whole other side of our industry that requires service. Many customers want to have something done for them, to have their needs understood, and to have someone respond to it. No matter how big the OEMs get, service is something you can't get in a container from China. Our company sells to both OEMs and custom framers. We have a line with thousands of SKUs, so the number of our images that show up in a Target is just a small percentage. The breadth in our line

allows a custom framer to choose which of our images should go to which consumer and how it should be treated for them. The person who goes to a custom framer wants something that is just right for them. Those who buy art off the shelf are looking for something else.

Marc Bluestone: I got depressed hearing about the OEMs and that everyone's going to buy pre-framed art and that custom framers are not going to have anything to frame. Then I started feeling better when I heard that there are always going to be people who need stuff framed; they want a high level of service; they want something custom. Then I started getting depressed again when I considered that there are also new ways for people to get a pretty good level of service at a big box store and that the big boxes are doing a good job custom framing and getting better at it every day. I see custom framing getting caught in the middle. Independent custom framers are losing some of their ability to sell custom-framed art due to the pre-framed art market while also being challenged in their ability to sell middle and lower-end custom framing.

Having said that, opportunity still exists for the merchandising- and marketing-savvy frame shop owner to protect their existing business while continuing to attract new customers. For this to happen, however, the business owner has to be willing to take risks and reinvent themselves, something that too many of us have shown a hesitancy to do.

Jay Goltz: There are moments when you start to get paranoid, but the reality is that our biggest advantage is that we're still only selling to 10 percent of the marketplace. This whole trend attracts the other 90 percent. Some of those people who are now buying framed pictures never bought it before. So it is making the market bigger. The trick is how you're going to hold on to your piece.

Steve Dodd: What we're doing [at Northwest Framing] is creating different stores to appeal to different parts of the market. In the Seattle market we have Museum Quality Framing stores, and in Portland we have Beard's Framing. We also have a lower-end concept called Frame Central in both the Seattle and Portland markets. We know there's real growth in pre-framed artwork and its quality, and that the big boxes are doing a lot of things extremely well. Adrian Hanauer started our company about 18 years ago with a vision of creating a very nice, high-end custom frame shop. Today's consumers don't think they need

"museum quality" framing, just good framing. There are people who won't come into our stores because of the name.

To combat that, we have a very nice moulding wall. We sell a lot of premium products—premium glazing, fabric wrapped mats. We try to do the middle and high-end well. But we have added ready-made frames and lowered price points on some of our photo frames. We've brought in new mouldings to serve broader price points. If we're going to compete against the big boxes, we're going to have to have product breadth. The lower-end stores have about 3,500 square feet and a much broader selection of ready-mades, photo frames, and framed art. We offer do-it-yourself framing as well as custom framing to hit a broad enough range of consumers. Our focus is still very much on custom framing. We're just trying to do a great a job on a broad enough range to fight off some of the competitive pressures.

Jay Goltz: For the one-shop operations most framers have, that creates a major question. For OEM art, I would venture to say that when people buy it for their walls, they want something decorative. That art doesn't get nearly the level of attention to detail or image that it would in a custom shop.

So, what do you do as a single shop owner? Should you continue to move upward and offer high-end, conservation framing? Or should you diversify your product offerings to maximize your market share by trying to appeal to the people who are just looking for decorative framing at a reasonable price point?

In the panel's previous conversations about this question, we found that we don't believe that the difference between custom framers and framed art sold at big box stores is about quality anymore. It still is to some degree, but we believe that the primary difference today is about being custom. It's custom if customers want a blue mat, not the brown mat the art comes with in the furniture store. It might be custom in that they just want something inexpensive for their kids' rooms.

As a custom framer, you are able to fine-tune your product selections for your customers better than someone who's buying for 800 stores. You are also better able to figure out what your customer wants and how you're going to service those needs. ■

Next Issue: *The panel discusses some specific ideas framers can use to face the challenge of OEM pre-framed art.*