

Successful Retailing: The Business of Framing

Part One: Competing Against the Chains

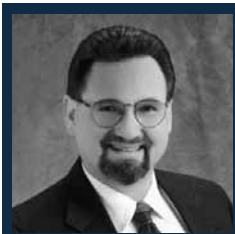
At the 2001 West Coast Art & Frame Show, the National Conference sponsored a breakfast panel event titled “Successful Retailing: The Business of Framing.” The panel consisted of respected businessmen in the industry: Marc Bluestone, President of Art and Frame, Inc.; Bruce Dale, President & CEO of Aaron 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:

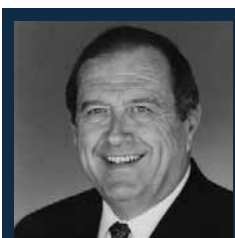
As owner of an independent frame shop, how do I compete against both national and regional chain stores?



James Miller
President
ARTFRAME, Inc.

Jim Miller: Find a niche. I believe that the days when a small, single frame shop could compete on price are gone. We don’t have the buying power; we don’t have the management expertise; we don’t have the resources or knowledge at our disposal to go head to head with “those people.”

However, there is a place, and there will remain a place, for us in the framing industry. And that is where customer service is superior and where the breadth and depth of our offerings in framing services is superior. In fact, in certain economic climates we’ll do better than “they” will.

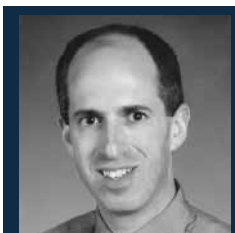


Bruce Dale
President & CEO
Aaron Brothers

Bruce Dale: I agree with Jim and what he said. I can also tell you that I still believe that our biggest competitor—for all of us at this table and for all of you sitting out there—is ourselves. We certainly want to be great picture framers at Aaron Brothers. We know the only way we can grow our company is to do that job well. But the bottom line is that most Americans have never had custom framing done.

Our goal is not to take away any business because, quite frankly, we’ll never be as good in most of our stores as Jim is in his or as you are in yours. So we’ve got to convince Ameri-

cans to buy real custom framing. Today you hear the numbers [indicating the percentage of the population who have purchased custom framing] are 10% or 20% or even as high as 25%, but the bottom line is that the vast majority of people who live in America have never gone into a custom frame store. And that's the challenge we see for ourselves and for the industry. We want to get people to come in to do custom framing who have never had it done before. So I'll say it again: our biggest competitor is ourselves.



Marc Bluestone
President
Art and Frame Inc.

Marc Bluestone: We all have ideas and thoughts about what we can do to make our businesses better. We also have a lot of opportunities everyday. And I think it's all about execution.

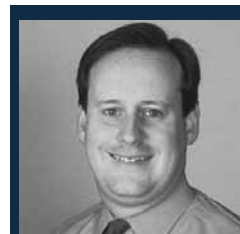
If you want to prepare yourself for a competitor to come to town, or if you want to compete better against existing competitors, implement those ideas that you have—those things that

you think make sense for your business, and then execute them exceedingly well. Whatever level our businesses are at, if we continue to implement things that are smart, implement them well, and service our customers very, very well, then we will succeed and there will be room for everyone.

As Bruce Dale said, the pie will keep getting bigger. Instead of all of us fighting for a piece of the pie, we can make the pie bigger and co-exist in a growing market.



Moderator Bruce Gherman looks on as the seven panelists discuss the topic at hand.



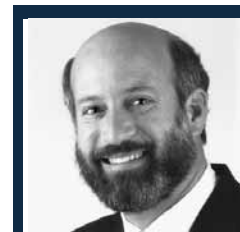
Steve McKenzie
Senior V.P. Marketing
Larson-Juhl



Jay Goltz
President
Artists' Frame Service

Jay Goltz: We are in an interesting business, especially when compared to hardware stores and drug stores. Our costs of goods sold—just the materials—should be about 28%. When you say, “Oh, [the chain stores] have the big buying advantages,” consider that even if they buy at 30% less than the small frame shop they only have a 10% price advantage.

They don't have cheaper employees. They don't have cheaper rent. So the reality is that if you own your own frame shop, even if “the big guys” buy cheaper than you do, it's not



Rob Markoff
President
Artrageous!

going to take you out of the game. They only have a 10% price advantage.

So if you were to charge 10% more, and you've got the customer service, the personality, a clean store, and you do good design, [the price difference] is far from taking you out of the market.

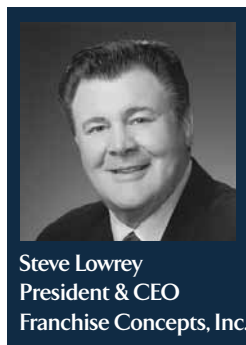
Custom framing may be one of the few small shop industries left in the United States. The butcher shops are gone or almost gone; the hardware stores are almost gone; the drugstores are almost gone. But this is picture framing and it's not the same thing. We are more like hair salons than any of those other places. When you look at your local neighborhood, the hair salons aren't going away. The big chains are far from dominating that industry.

The difference is that everyone gets his or her hair cut. The chains in that industry will survive because some of those people want cheaper haircuts. In picture framing, we only see about 10% of the market, so the future of the industry is more consumers getting into it.

Don't get freaked out by the big chain stores. You could easily make a case that they have done more good than harm to the industry simply because more and more people are getting into picture framing and this has stimulated the market.

A similar thing happened in the electronics industry. There are a lot of very successful local stores—stereo places, TV places—that compete with the big chains and are doing well because the chains stimulated the market. So the enemy is not the big chain stores.

The enemy is Bob, who works for you, but does a bad job and you haven't done anything about it. That's the enemy. Or it's the storefront that you haven't quite gotten around to repainting because you're busy. Or it's saying, "Well, I don't really like computers so I'm not going to get one." That's the enemy. The enemy is not sitting at this table.



Steve Lowrey
President & CEO
Franchise Concepts, Inc.

Steve Lowrey: It seems to me that the biggest disadvantage the independent has is just that: they are independent. They are by themselves; they are afloat.

Our franchisees have a system of mentors; at Aaron Brothers, there are district managers and supervisors—people who help talk through the issues and can help you decide on the right thing to do. In our franchise system, there are marketing departments to help the franchisees create a marketing plan.

I commend all of you for being here, because the way to succeed is to continue to get education, information, and learn more about this business. Those who



Attendees filled the ballroom at the Riviera Hotel & Casino for this groundbreaking industry event.

stay isolated and don't come to events like this one are the ones who have the future to fear.

Jim Miller: I'd like to follow up on something that Bruce Dale said. He mentioned that only a small percentage of Americans have purchased custom framing. One of the objectives of the larger companies is to bring more Americans into our industry and into our marketplace. Even we, in the small end of the business, will benefit. In a way, they are doing our marketing for us. And for that, we thank you. ■