



Ken Baur



Marc Bluestone



Steve Dodd



Randy Nipper



Jim Parrie



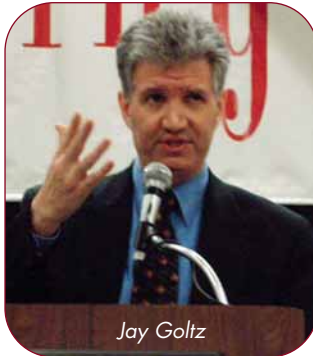
Robert Sher

# Successful Retailing: The Battle for Market Share

## Part Four: Big Box Discount Coupons

### Question:

What marketing/advertising strategy should framers use to counter Big Box discount promotions?



Jay Goltz

This is the fourth 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 the last installment in next month's issue.

#### MODERATOR

##### Jay Goltz

president and founder of Goltz Group, Inc.

#### PANELISTS:

##### Ken Baur:

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:

president of Bentley Publishing Group

**Randy Nipper:** The real question is: does it make sense to capture some market share by sending out a 50 percent off coupon on some aspect of framing—in your demographic area? The big boxes use this approach regularly and effectively. And it's one technique available to framers.

**Jim Parrie:** If you do a 50 percent off coupon, given your gross profit and profit margin, for every 10 pictures that you sell at full retail price, you'll have to sell 34 [pictures] at 50 percent off to make the same amount. So do you want to make on 34 pictures what you make from 10—or do you want to make that money off doing only 10 pictures?

**Jay Goltz:** One option is to jack your prices up and then drop

them, which many of these big box stores do. Personally, I don't want to build a business on that foundation. I also have a higher end demographic. You have to answer that based on where you're located and on who your competition is and what they're doing.



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

**Ken Baur:** We avoid discounting at all costs. We took a position in the beginning that we would not do it. More importantly, it's a matter of control. I came from a business where we had 300 paying customers a day to a business where we now have 10.

One of the things that attracted me to this industry is that we're able to control and understand a lot more about why people come in. The key to growth and marketing lies in analyzing every day why someone is at that counter and being able to collect that data. Then you reach customers of similar demographics that might be interested in your product.

The unique advantage we have in this business is that we have the ability to collect that kind of information on a daily basis and analyze it and make it work to our advantage. For every order generated, our software system makes it mandatory for our designers to collect the reason why the customer is using our service—which specific marketing effort brought them in.

If they are a return customer, the dollars spent are totalled and then compared to the dollars spent on attracting return or current mailing list customers via our direct mail newsletters, postcards or referral programs.

If they are a new customer, their dollars spent are matched against the specific marketing tool that attracts

new customers. In our case that would be cable TV commercials, yellow page ads, referrals, mailings to potential customers possessing the same demographics as our current target customers, as well as newspaper and magazine ads.

The total sales accumulated for each of these categories are then reduced by the cost of goods sold to allow us to compare true profit dollars against marketing expenses in each category. This gives us a true return on investment for every aspect of marketing we invest in.

**Marc Bluestone:** Framers can also advertise in places where big boxes are not. Most big box advertising is done in color inserts in Sunday newspapers. Independent framers have a variety of media available to them in their community. This can include local newspapers, radio, and direct mail—especially to the homes of your existing customers as well as new ones.

There are all kinds of other things you can do in your community that will make you stand out. You can go to local community events and participate in ways that big boxes will never go near. So, to some degree, you can go where they are not.

You can also put together a message covering things that matter to customers beyond just price. You can talk about service, and you can talk about quality or design guarantees. You can talk about convenient hours or how long you've been around. You can have visuals that demonstrate that you know what you're doing.

Independent framers must find meaningful ways to differentiate themselves from the big boxes. There are a lot of things you can do other than shout price. Although we often use our advertising to offer cus-



*Panelists discussed questions posed by attendees at this event held at the 2004 West Coast Art & Frame Show.*

tomers price incentives to shop with us, I've never offered a coupon for 50 percent off and I don't expect that I will.

**Jay Goltz:** I've never seen a long-term business do it as an effective strategy. Customers often find you're pricing is often about the same as the big box discount prices. Can you fool all the people all of the time? These are intelligent customers. Can you continue to bang away on 50 percent off every single week without the customer never figuring out that it's not really 50 percent off? It has been effective for them to get their foot in the marketplace. And I'm not so sure that it hasn't helped the industry because there are people who have never thought to custom picture frame until they saw 50 percent off. The fact that they've tasted what custom picture framing looks like actually may have helped the industry.

**Randy Nipper:** Let's not get hung up on the 50 percent off, because that may be a bit radical and, with some, may be a bit unclear. In any event, I can tell you that I've been at a big box when they've run that 50 percent off and there are customers lined up in the custom framing department. The discount helped bring them into the store. So, whether it's 50 percent off the frame, two-for-one, or even \$10 off, having some kind of inducement can get the customer to try you out, or possibly come back with more framing on a second visit.

It's not unreasonable to try some kind of short-term discounting scheme. It's a reasonable psychological marketing tool. I don't think you should avoid it because you're a custom framer. Your competition is using that technique very effectively. However, it is important to look at the broader picture, market demographics, and your overall marketing plan. What other approaches are you using? Are you advertising in some other fashion? Do you have some other hook or a strategic competency you can sell? Do you send direct mail pieces?

Many advertising/marketing techniques can help you get and keep customers; some may be more appropriate for you than others. I simply take exception to the idea that somehow a price-off approach is inappropriate in our industry. Retail consumers are embedded

with a "price-off/discount" mentality. This is not a short-term phenomenon. I don't think we should take an everyday low price approach, not with the services and materials we use, but we should not rule out some kind of inducement as a useful marketing technique.

**Jay Goltz:** So you're saying just don't dismiss it out of hand—that it is worth considering. Certainly, there are plenty of very successful framers that don't do any price promotion whatsoever. You have to figure out what's right for your market.

**Steve Dodd:** It completely depends on your brand and your image. Each store has a different focus. We have three different brands. At one point, when Northwest Framing was being formed, we had three completely different marketing strategies, and each brand of store was successful on their own. There was a period when we sold the same product with completely different marketing strategies and pricing, and it worked for each business. So number one, know your brand and your image and what you want to build on. And number two, whatever strategy you pick, do it well.

There are, as Randy said, a lot of businesses out there that use discounting to get business. I also know that everyone I've talked to in this industry who has used discounting as the basis of their marketing strategy wish they hadn't done it. It's like an addiction. "You know, I did 15 percent off and customers say they're going to do 100 percent more if I just offer 20 percent." Then things get a little slow, and you say you're going to do 25 percent. You need to be careful with it. Occasionally, you have to make offers to segments of your customers to stimulate sales. But you end up having your customers coming to you just because of price. And when that happens, you lose your design credibility and your entire value credibility. They begin to think of you only in terms of price. ■

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*Next month: How can you maximize the effect of charitable donations on promoting your business?*