


Pricing for Prophets



I promised to talk about pricing. I hate to break your heart, but there is no magic formula. No magic chart your suppliers will give you can figure out pricing. How much you should charge to ensure profit depends on several variables: how you buy (length, chop, discount); what your overhead costs are; your competition; and your goals. Goals range from wanting to have a whole staff doing huge volumes of simple metal framing, to creating only beautiful handcarved wood frames with elaborate mats and fillets that you make personally. To further complicate things, people's goals change.

To thoroughly cover the topic of pricing I would have to write a book. I will try to cover the basics over two articles. My mission today is not to tell you how to do the pricing, but rather raise your awareness of your pricing structure.

Most retail businesses fall into one of three categories. The first is that your business sells a product that has a "list price." Watches, books and magazines, greeting cards, and some name brand clothing usually come pre-marked with a list price. Those retailers don't have any pricing issues.

The second kind is an industry that has a "going rate" or mark up, such as shoe repair, dry cleaners, or others who use a standard two-time hike up on everything they sell. It's a little trickier for those retailers because they have to figure out how they can profit from that mark up. Should they be at the high end or the low end of the scale? These people still have to do some math.

Picture framing is unusual: it falls into the last category which I'll call retail/custom/manufacturing. Our businesses have to deal with estimating time and materials, as well as the level of quality and service for each job. As a result, there is no "going price" in picture framing because there is no such thing as a standard frame job. There is more service and quality variance in making a frame than in having the bottom of your pants hemmed. Framers also

have to deal with a wide range of materials costs—what discounts you get, what quantities you buy in, and what your scrap factors are.

Therefore, proper pricing formulas become quite complicated. The first question is from an accounting standpoint (I admit it, I have an accounting degree). The goal for your pricing formula is to have the same margin on everything you sell whether it's the same size frame or the amount of labor it takes to do a piece. The problem is that different frame jobs vary in that they either have a good, decent, or bad profit margin. Find out what category you are in and create a well thought out pricing formula that will take care of the problem.

I did a speech at a PPFA convention, and I asked an audience of framers what they thought the average time need to frame a 22" x 28", single mat, glass and wood frame was. I got responses that ranged between 20 minutes and 1½ hours. This is a BIG problem! It wasn't the same case that some people were framing five times faster than others. The problem is that the actual time it takes to frame a picture, and the time people *think* it takes to frame a picture are not even close.

Do this little test for yourself. Think about the average time it takes your company to frame a picture. Divide the hours spent actually framing by the number of pictures framed for one week. You'll be surprised. If it does come out to about 20 minutes per piece, please call me immediately! I want to move your family to Chicago, pay you big bucks and give you all the pizza you can eat.

Using a price sheet out of a book is like Russian Roulette. Those price sheets do not know what your variables are, and I've reviewed some ridiculous ones. They might seem correct theoretically, unless you understand how long it takes to properly do something. Do this simple test: How much more do you charge for fitting a 40" x 60" than a 30" x 40" piece? Is it twice as difficult?

Tune in next month. ■

by Jay Goltz