



by Jay Goltz

Goltz On Business

The New Kid On The Block: Price

Back in the “old days” (the 70s), the new thing in the industry was how to handle paper. There was increased attention being paid to mounting, spacers, and conservation. Then, in the 80s, the new thing shifted to variations on existing framing products—different finishes and materials for frames, variations of matboard, and glass with value-added features. Next, the 90s ushered in the next “new thing”—technology. This brought to us computerized point-of-sale systems, computerized mat cutters, and other automated framing equipment. Today, I believe the new “new thing” is price. And, this month, I’ve focused on three major factors that have brought price to the forefront.

Large Chains

With their increased buying power, significant traffic flow, and large advertising budget, the chains have brought price more into the limelight. With 20 per-

cent to 75 percent-off sales, people who may never have thought about framing a picture are now doing so. It has also created a sense of urgency for some people who may be holding off going to a custom framer for one reason or another.

I have talked to many frame shop owners who have businesses located near a chain that

offers framing, and while some complain that it has taken business, there are many others who say it has not hurt them at all.

It is difficult for the independent picture framer to compete on price, but it is even harder for the chain stores to compete with expertise. Lucky for us, this is still a design/selection/quality/service-driven business. If you ask customers what the most important thing is when choosing a frame shop, numerous studies have shown that price is not one of the top two. One could argue that these large chains have increased awareness for picture framing, which is a benefit to everyone in the industry.

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Overhead Costs

Health insurance, workman's compensation, utilities, and rent have gone up significantly over the years. As a result, the same mark-ups on materials and labor that people took 20 years ago may not adequately cover these expenses today. As a matter of fact, it may not cover it from three years ago, with insurance costs leading the charge. In California, the workman's comp rate is so high that it could easily wipe out your profits if you don't adjust your prices accordingly.

Frequent Customer Programs

It started with the airlines. This made sense. Most people are indifferent about which airline they take, and this swayed people to use a specific airline. Keep in mind that there are many business travelers that represent a major portion of airline travel; one person could spend hundreds of thousands of dollars each year. The frequent flyer programs also work because a business traveler collects personal mileage in their account—it's a slick way for an employee to get a tax-free perk on business travel.

The best part for the airline is that they are "giving away" something that costs them very little—an empty seat. Recently, a reader of *PFM* wrote in to ask if a program like this makes sense for her shop, and for the framing industry overall. All I can offer here is my opinion. I believe we are *still* in a quality- and customer service-driven business. As a result, I believe that the best "reward" to give customers is to give them their money's worth.

I know of no other design-driven retail business, whether it be clothing, higher-end hair salons, home furnishings, etc., that finds it necessary to give a discount for loyal customers. Why? Because they know it would defeat the entire purpose of being in business—making money. Loyal customers are loyal because in a world of inconsistent, haphazard, and mediocre retail-

ing, they can count on you for quality products and service.

Frequent customer discount programs could quite possibly wipe out your entire bottom line, since I seriously doubt that it will have any significant effect on volume. In addition, it does what I have always avoided—make price a central issue. Do customers ask for it? Sure. Would they like it? Sure, why not? Would it help your bottom line? I don't think so.

It might work for airlines. It might work for restaurants. It might work for car washes. But I don't believe we have much in common with those businesses. I would rather take that money and energy and increase the customer experience—better product, better lighting, better design. Live by price, die by price.

I understand that sometimes price seems to be the primary issues on people's minds. They ask about it. They talk about it. They complain about it.

I admit, sometimes I leave the toilet seat up. My wife asks about it, talks about it, and complains about it. That doesn't mean that my entire relationship with my wife is based on the position of the toilet seat.

It also doesn't mean that your customer's entire relationship with you is based on price. The fact remains, you just might be perfect in every other way. (Wait a minute! Maybe my wife complains about the toilet seat because I'm perfect in every other way!)

Some people feel an obligation to complain about your price. They don't feel an obligation to praise your design, selection, or quality. Don't take the bait! Live with it; live better. ■

Jay Goltz, Business Editor, started Artists' Frame Service in 1978 fresh out of college. AFS employs over 80 people at its main framing operation in Chicago, IL. Goltz is also the founder of FramerSelect. He has received numerous business honors and is best known for his straight talk on how to succeed in business. He has taught at the National Conference.