

ARE YOU LISTENING?

BY DAN WENKE

TO SURVIVE, YOU HAVE TO HEAR WHAT THE MARKET IS SAYING AND ADAPT TO ITS NEEDS.

After returning from SACA, the Italian Frame Show, it occurred to me that far too many moulding firms lay out their plans for the coming year in the form of products priced and shown according to what they *believe* customers want. More and more, many of these products are failing to make it to the walls of frame shops. That's because companies often fail to understand and follow the desires of the market, which today is increasingly focused on price and value.

As a manufacturer, whether small or large, you constantly face downward pressure on your business through sales. By the same token, rent, salaries, taxes, insurances, and cost of raw materials rise over time. For most of the market, producing materials that are too expensive is counterproductive. Too many firms at the show and elsewhere fail to understand this point. If your market position is declining, continuing to use the same strategy will only get you more of the same. No matter how good your quality and design are, if your products are unaffordable to most of your potential clients you are positioned to sell only to a few niche markets at best.

The answer is to listen to your customers and respond by producing the products at the prices they're willing to pay. Only then will everyone benefit. Some exhibitors at the show did great business. These were people who listened to the market and responded with what it wants: Value. They listened to their customers and their own sense of business survival—and adapted to the market.

This relates to everyone. You cannot sell ice to Eskimos. However, you can sell ice makers to people in hot climates. And there are ways you can respond to a more competitive market successfully

other than by producing cheap goods. Take a hard look at your business. If you could change anything that would affect your ability to respond better to your customers' needs, what would that be?

SPECIAL SUPPLIER PROGRAMS

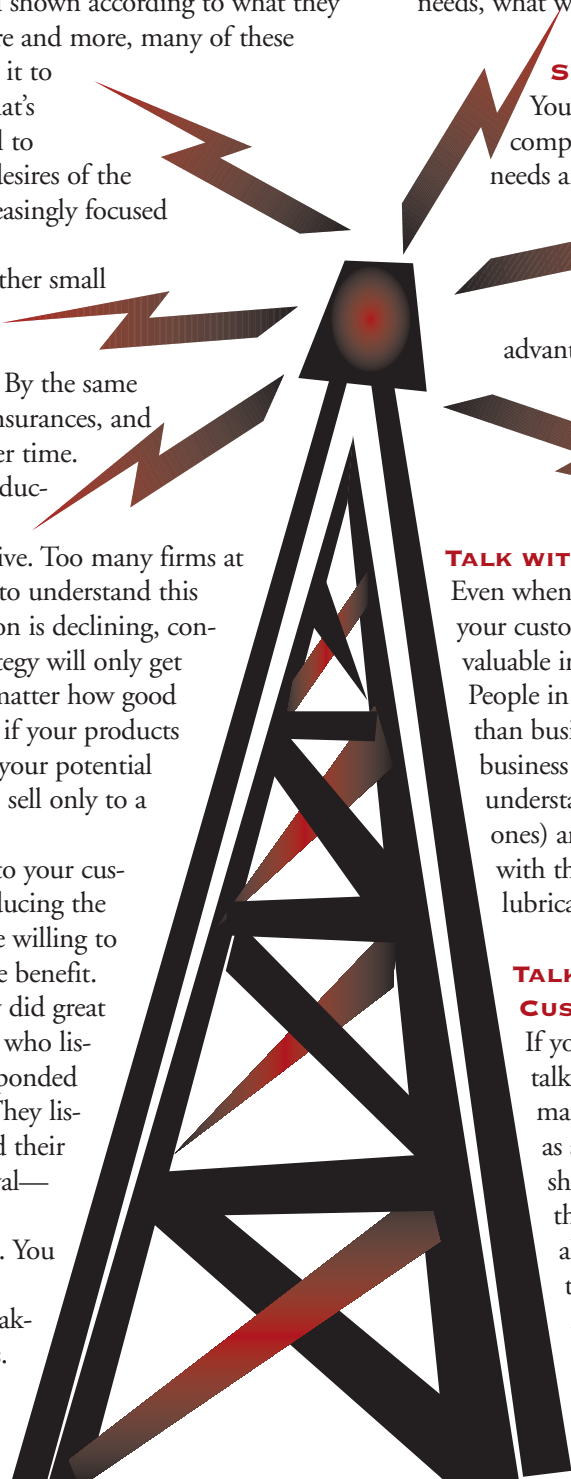
Your suppliers not only supply you but also your competitors. Most are tuned into your special needs and to opportunities for increasing their sales with you. This includes ways to offer better prices or different materials that will encourage you to give them your business. To take advantage of this, you need to communicate with them. A simple call to the owner or manager asking about any special buying opportunities can actually unlock a fortune for you.

TALK WITH CUSTOMERS

Even when you have little or nothing to sell, calling your customers and inviting them to lunch can unlock valuable information about what they're looking for. People in business rarely have things in common other than business. After the basic chit chat, the subject of business will come around. And that's when you can understand your clients better (and not just the big ones) and virtually get a road map to more success with that customer. Everyone has to eat, and food lubricates business.

TALK TO MANAGERS AT POTENTIAL CUSTOMERS

If you are in or want to supply the retail trade, talking to store managers to gather market information is a great idea. At first they will view you as a store customer, especially if you have a shopping cart with you. This tends to make them very forthcoming with information about what's selling and where you have to go to sell. Many chain stores also allow local managers to make some buying decisions, but most will send you to headquarters. The difference is that you'll be armed with lots of information before you meet with a buyer. And this information is power!



**UNDERSTAND THE FINANCIAL
LAY OF THE LAND**

You need to understand what a buyer is expecting. This is something my pals at the show forgot to think about. Retail buyers are not always interested in replacing or adding a supplier based on price alone. Being in a certain price zone is important, but the design and “salability” of your offer are what’s crucial.

Here is a simple chart of a few major retailers in the U.S. and the profit margins they work on. Take a very sim-

Retailer	Cost	Retail Price	Retail Margin
Target	\$10	\$33.33	70%
Wal-Mart	\$10	\$20.00	50%
Bed Bath & Beyond	\$10	\$28.57	65%
Costco	\$10	\$11.76	15%

plified scenario. Assume you want to sell framed art. The same size of a similar style is selling for \$59.95 at a retailer listed on the chart above. What would that retailer consider paying as their cost? For Target or a company that priced like Target, they would expect to pay \$17.98 landed. In real life, there are also other charge backs and allowances that most companies want off their net price.

Your customers may pay a bit more for something they can identify as better value. Most of the time, however, they are looking for a consistent increase in dollar sales for a product category. That’s why providing something that costs a bit more but looks like it’s worth a lot more can be very much in your favor. The retail market is huge, and there are many smaller chains and companies that are happy to have someone pay attention to their 15 to 35 stores.

COMMUNICATE

Communication is the most important thing—between you and your sources, you and your customers, and you and the market. All these are interconnected. You can visit factories and trade shows the world over. You can push your local supplier to the wall for prices and terms. None of these will make a sale. You have to have the right product, terms, design, presentation, and ideas to meet your clients’ needs.

As the old saying goes, there are three types of people in the world: Those who make things happen. Those who watch things happen. And those who wonder what happened. Make it happen for you by learning what your clients and the market want. ■



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