

Pricing and Upselling

LARSON · JUHL

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# PRINCIPLES OF PRICING

## KEY REASONS PROFIT IS IMPORTANT

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- Allows quality of living.
- Allows you to offer quality service.
- Ensures you're around for the future.
- Fix things when they go wrong.
- Reward your risk.





# REAL LIFE FRAMING EXPERIENCES

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- Keep your prices consistent.
- Don't think you know who your customers are.



# REAL LIFE FRAMING EXPERIENCES

## JON'S TOP TIPS

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What value do these people place on their framing & how much are they prepared to pay?





# REAL LIFE FRAMING EXPERIENCES

## JON'S TOP TIPS

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When a new customer walks through the door how do you know what they are prepared to pay?

Tip 1: You don't & there is no way you can know, so don't make assumptions!



# REAL LIFE FRAMING EXPERIENCES

## JON'S TOP TIPS

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Tip 2: A really good sales person is a really good listener.

- Find out what the customer wants & needs.
- Match those needs with your product.



# REAL LIFE FRAMING EXPERIENCES

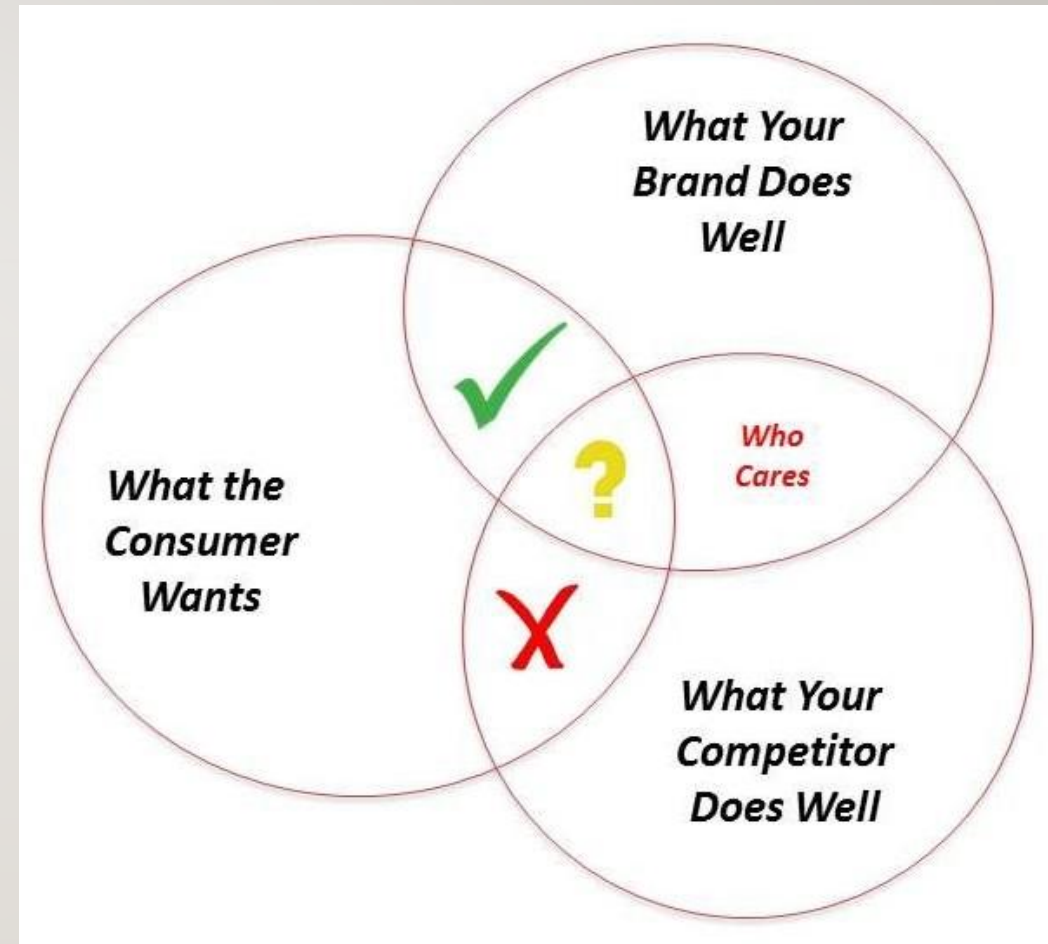
## JON'S TOP TIPS

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### Tip 3: Create a USP.

- What services/products do people want?
- Which of those match your skill set?
- Who do you want to appeal to?
- What do your direct competitors do, what is their skill set, who do they appeal to?

Products/services that people want, which match your skills & that competitors don't offer = a perfect USP.





# REAL LIFE FRAMING EXPERIENCES

## JON'S TOP TIPS

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### Tip 3: Create a USP.

Products/services that people want,  
which match your skills & that  
competitors don't offer = a perfect USP.





# PRINCIPLES OF PRICING

## KEEP YOUR PRICING MODEL SIMPLE

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Make it easy to:

- Update supplier prices
- Adjust your hourly rate
- Monitor and adjust markups
- Don't allow profit to be eaten away



# THE SCIENCE OF PRICING

UNDERSTANDING YOUR PRICING GIVES GREATER CONFIDENCE

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- Hourly rate
- Labour charges
- Materials cost and wastage
- Choice and advantage of chop

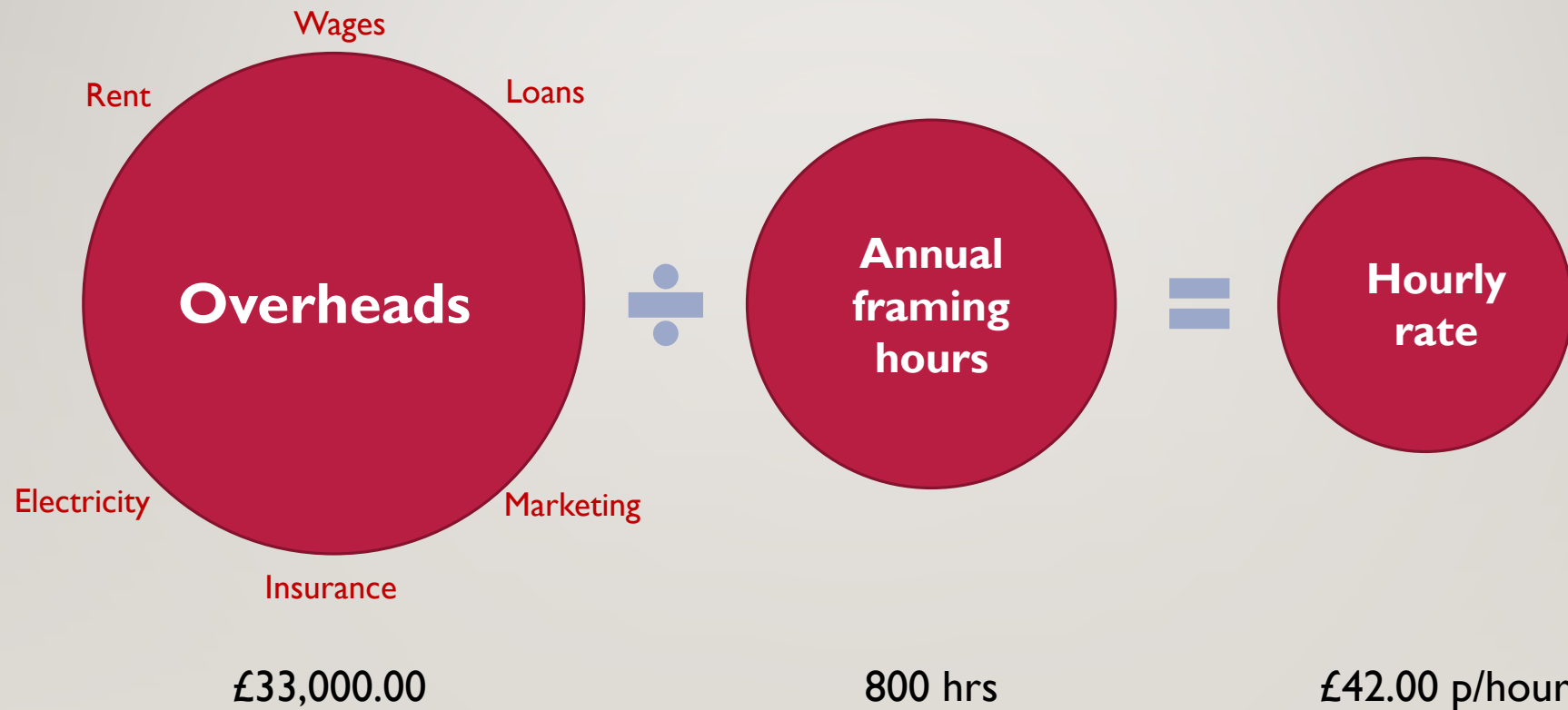
Costs

- Markups

# THE SCIENCE OF PRICING

WHAT IS YOUR HOURLY RATE ?

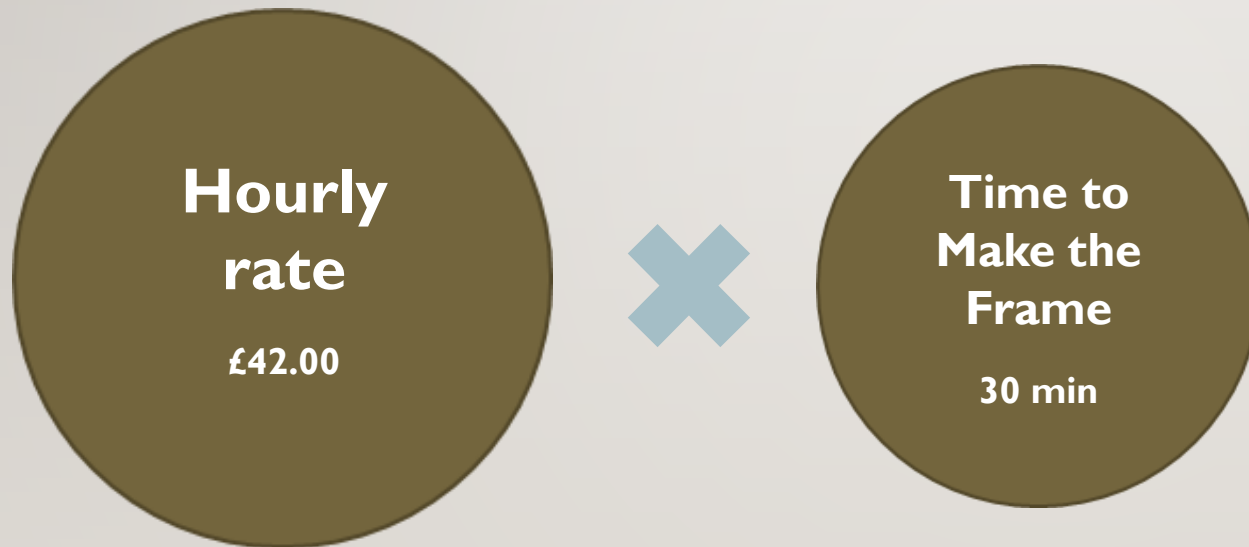
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# THE SCIENCE OF PRICING

## HOW TO BUILD THE HOURLY RATE INTO YOUR PRICE



£42.00 per hour  
30min to make the frame  
Total labour cost: £21.00

# THE SCIENCE OF PRICING

## COST OF MATERIALS

- Materials generally 20-40% of frame cost
- Factor in wastage
- Consider the cost of storage
- Consider lost productivity due to clutter

# THE SCIENCE OF PRICING

## CHOICE AND ADVANTAGES OF CHOP

- 80 / 20 rule, less is more sometimes.
- Balance between budget, mid range and premium
- Chop allows for wider range, a higher price but no wastage cost and less storage
- Use the Larson-Juhl website with customers to offer a wider range of chop mouldings or add more range to your website

### Price breakdown *(per unit)*

Job Nr:	by metre			
Item	Component	Qty	@	Cost
Moulding	354302	5.0 m	£10.09/m	£50.45
CutFrame	354302	9.4 mins	£42.00/hr	£6.59
FitFrame	354302	9.4 mins	£42.00/hr	£6.56
Total minutes for job: 18.8 mins			Total Labour:	£13.15
			Total Materials:	£50.45
				Net
			Totals:	£63.59 £116.23

### Price breakdown *(per unit)*

Job Nr:	by Chop			
Item	Component	Qty	@	Cost
Moulding	354302/CH	3.1 m	£17.15/m	£52.68
CutFrame	354302/CH	0.0 mins	£42.00/hr	£0.00
FitFrame	354302/CH	11.3 mins	£42.00/hr	£7.88
Total minutes for job: 11.3 mins			Total Labour:	£7.88
			Total Materials:	£52.68
				Net
			Totals:	£60.56 £111.40



# THE SCIENCE OF PRICING

## HOW DOES LABOUR AFFECT PROFITABILITY

### Gross Markup

£10.00 Materials

x4.5 Gross mark-up (350%)

£45.00 Selling price

False profit of £35.00



### Net Markup

£10.00 Materials

£20.00 Labour

x1.5 Net mark-up (50%)

£30.00 True cost (materials plus overheads)

£45.00 Selling price

True profit of £15.00



# THE SCIENCE OF PRICING

## WHAT SHOULD YOUR MARKUP BE?

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- There is not one markup to suit all businesses
- What's your USP
  - Store presentation
  - Showing interest in your customers and their items
  - Quality service and advise
  - Reliability / Reputation
  - Quality of product
  - Ease of access

# THE SCIENCE OF PRICING

## WHAT SHOULD YOUR MARKUP BE?

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Reverse engineer your mark-up

£50.00	Average cost per frame (labour and materials)
1000	Number of frames produced each year.
£50,000	Cost of making frames for the year.
50%	Net markup applied to cost.
£25,000	Net profit returned.



# THE SCIENCE OF PRICING

APPLY THE SAME MARK-UP RULE TO ALL MATERIALS AND LABOUR

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## Moulding

### Standard

£10.00 x 70%

Sells for £17.00

£7.00 profit

### Premium

£60 x 40%

Sells for £84.00

£24.00 profit

# THE SCIENCE OF PRICING

## BUDGET FRAMING

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- Labour: 27mins
- Markup: **70%**
- Cost: £24.85 (inc labour £18.90)  
Selling price (inc VAT): £50.61
- Profit: **£17.32**





# THE SCIENCE OF PRICING

## MID RANGE FRAMING

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- Labour: 39mins
- Markup: **50%**
- Cost: £44.73 (inc labour £27.44)  
Selling price (inc VAT): £80.32
- Profit: **£22.20**





# THE SCIENCE OF PRICING

## PREMIUM FRAMING

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- Labour: 50mins
- Markup: **40%**
- Cost: £65.41 (inc labour £34.72)  
Selling price (inc VAT): £109.56
- Profit: **£25.89**



# THE SCIENCE OF PRICING

A PREMIUM PRODUCT WITH A LOWER MARK-UP EQUALS MORE PROFIT...

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## Budget design

Mark-up: 70%

Price: £42.17 (£50.61 inc. VAT)

Profit: £17.32

## Mid-range design

Mark-up: 50%

Price: £66.93 (£80.32 inc. Vat)

Profit: £22.20

## Premium design

Mark-up: 40%

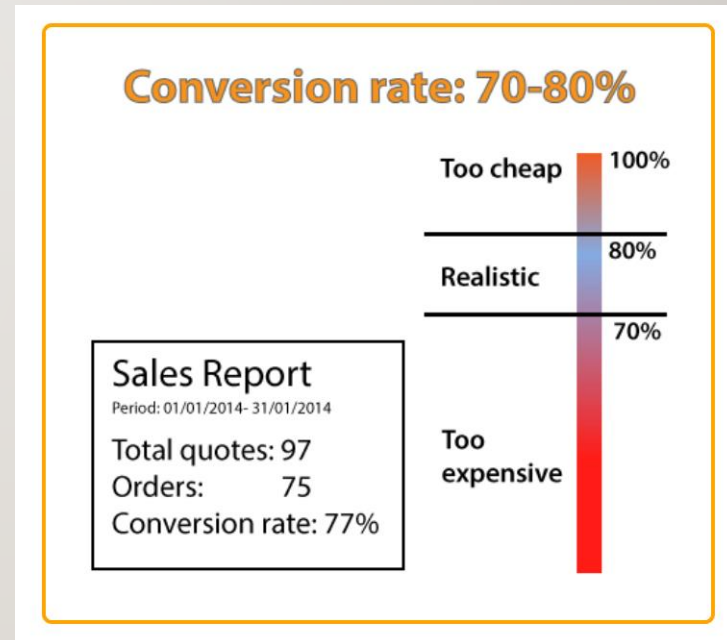
Price: £91.30 (£109.56 inc. VAT)

Profit: £25.89

# THE SCIENCE OF PRICING

## DO CUSTOMERS AGREE WITH YOUR PRICE?

- Monitor your conversion rate from quotes to orders.
- Don't discount because of price rejection.
- It's normal to have some price rejection.
- Consider why the price was rejected.





# THE SCIENCE OF PRICING

## DO CUSTOMERS AGREE WITH YOUR PRICE?

### Conversion Rate report

From: 01 August 2020

To: 17 September 2020

#### Customer categories

	Qty	Cost	Net	VAT	Total	Discount	Disc %	Markup	Markup%
Retail									
Quotes	2	£173.73	£269.81	£53.96	£305.77	£18.00	5.56%	£96.08	55.30%
Orders	10	£1,145.77	£1,886.68	£377.34	£2,264.02	£0.00	0.00%	£740.91	64.67%
Conversion	83.33%	86.83%	87.49%		88.10%				
Total conversion	83.33%	86.83%	87.49%		88.10%				



# THE SCIENCE OF PRICING

A FEW GOLDEN RULES TO RUNNING A PROFITABLE BUSINESS

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- Be clear and confident with pricing.
- Keep pricing consistent.
- Show premium options at the start of the consultation.
- Make more cash profit using premium products.



- Start negotiating on price.
- See rejection as a failure.
- Judge customers spend on looks.
- Start with budget options.
- Be a 'busy fool'.

# THE SCIENCE OF PRICING

FIND OUT MORE

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[www.pricingaframe.com](http://www.pricingaframe.com)

[www.framiac.com](http://www.framiac.com)

[www.larsonjuhl.co.uk](http://www.larsonjuhl.co.uk)

[www.handmadepictureframing.co.uk](http://www.handmadepictureframing.co.uk)