

“As you know.....”

With the higher price of metals more customers are price conscious. But many jewelers have found Custom Designing to be still strong. Labor hasn't really increased much but the gold and platinum used to make the ring, **WOW!**

Across the country jewelers are still repairing and making new jewelry but you might have found your closing ratio dropping some because of metal prices.

There is a fix but you shouldn't fret as much about custom as it has a terrific return on investment. So let's examine the true profitability of custom and then a strategy to increase our closing ratio while keep making money without a huge discount.

I'm going to make a “David assumption”. The average sale from the showcase, without bridal is about \$200-\$350. With bridal added in some stores have an average sale of \$850 to \$1200 but let's use another “David assumption.”

Let's assume that your average product sale is \$1000 for a good round number. I want to use this amount because the **typical custom design sale** is \$1000 to \$3000.

So think about this, when you make a sale from the showcase for \$1000 you have to have on hand, amount of inventory. So let's “assume” again that you have \$500,000.00 in inventory.

Think about this statistic for your store:

“To make a \$1000 sale from the case I have to have on hand every day half million dollars of inventory”

Now to custom. How much inventory does the shop in the back keep on hand to custom make a piece of jewelry? The typical store keeps about \$5000 in grain, sizing stock, findings, small stones because most custom jobs have the parts and material ordered just for that customer after we take the order.

So here's the custom statistic:

“To make a \$1000 custom design sale all I have to have in inventory is \$5000 of findings and grain, plus 1 week's jeweler's wages.”

Can you begin to see the difference?

Of course to sell from the case takes “some expertise” but selling a custom design takes a lot of expertise. That comes from experience on your part and training the staff.

Here's how to handle customers that have sticker shock.

When quoting a custom job do not quote a gazillion prices. Many of you are bench people and think procedures. I've seen too many people quote like this:

“Mrs. Jones the cost to make your ring is the following:

1. Design fee
2. cad fee
3. wax cutting fee
4. casting fee

5. Finishing fee
6. Setting fee
7. Gold grain fee
8. Stone fees"

Sheesh, you're killing me here!

Ever have a customer say "Thanks, but I'll just take the wax. My husband can cast it."

No! Numbers 1-5 should just be called "To make the ring"

I'd make a few suggestions for you:

1. Write the quote on paper for the customer to see, one column for labor only and another for material, like gold and stones. Let's do a quote to make a matching wedding band, 3 pennyweights with 7-2 point round bead set diamonds:

LABOR		MATERIAL	
Design and manufacture ring \$425.00		3 dwts 14kt gold @125 = \$375.00	
Bead Set 7 stones @ \$28 each = \$196.00		7 - 2 pt dias @ \$16 pt = \$224.00	
Total Labor	\$621.00	Total Material:	\$599.00

Total \$1220

2. Draw 2 arrows to point to the total box below. What you want is to show all of prices but notice we didn't break down the "Design and manufacture". Some jewelers break that down further:

Designing fee
Cut Wax
Cast
Finish

Do you have customers say:

"No thanks, I'll take the wax and cast it myself?"

Nope!

Don't make it more confusing.

So just *point to the prices* and say "and that's all it'll be". You don't even speak the words; the customer can see the numbers.

"That's all it'll be."

So what happens if the customer says “That’s a bit more than I wanted to spend”?

If you look back at the price break down you’ll see lots of ways to **lower** the price to the customer without discounting. Can you see some ideas?

1. Use less stones
2. Use smaller stones
3. Use *her stones*
4. Lighter weight.

Then of course you can offer to buy any remaining gold and credit her total bill. But there’s one more thing you should realize.

If you buy a \$300 ring and sell it for \$599 (like the materials on the right side of this quote) in the showcase it could sit there for a year and that would be a turn of “1”.

But if you design the ring on January 4th, order the material, make the ring and deliver it on January 30th you’ve made the ring and sold it in 30 days. Do that once a month and that’s a **turn of 12!**

This means if you have to discount to make a customer happy you can discount the material because you have a turn of 12!

But labor (manufacture and setting charges) doesn’t have turn. A jeweler can’t work really faster. Therefore you shouldn’t discount labor because you can’t make up for time.

So if the customer needs a break in price after trying everything else deliver your close this way:

“As you know we can’t discount labor, but maybe we can do something on the diamonds and gold.”

“As you know we can’t discount labor.....” says it all. Most American’s know that labor (car repair, plumbers, and electricians) isn’t discounted.

Being “turn” is everything in merchandise and with special orders for this ring has a turn of 12 you can discount.

So if you discounted the **whole** job it would be \$244.00.

But if only discounted the \$599 in material the discount would only be \$120 giving you \$124 more in dollars and still giving the customer a break.

So as you know.....there’s lots of money to be made in custom design.

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