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Jew-el-er - [**joo-uh**-ler] noun

"A person who designs, makes, sells, or repairs jewelry, watches, etc.; a person who deals in jewels."

Or maybe:

jew·el·er also **jew·el·ler** (joo-**el-er**) noun

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So you see; you don't have to sit at the bench to be called a "Jeweler". Dealing or selling jewelry also makes you a jeweler.

My goal is to help both "Jewelers".

1. Those that work at the bench or have in the past but their store is trying to make money from the bench too. Repairs are large portion of their income and livelihood.
2. Others who handle or sell jewelry, whether or not you repair it.

Sound sideways to you? Not at all. In today's installment we're going to **start** your journey to help you and your store make and keep more money. You noticed I said "make and keep". Over the next several emails we will get tight and heavy into all five reasons why a store has financial problems.

Many jewelers make good money, but they don't get to keep it. There are five reasons for financial distress in a jewelry store. I'm going to make this easier to comprehend by discussing one reason per email, and then we can move onto more items in your store or shop.

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I will also show you how to make and keep more money when you sell from the case, which is probably a large portion of most stores' sales.

But I digress, so let's get to it.

FIVE REASONS FOR FINANCIAL DISTRESS

IN A JEWELRY STORE

1. You don't charge enough for your labor
2. You have more inventory in stock than you can sell in one calendar year. (the #1 Killer of a jewelry store)
3. You stock the case with the wrong price points.
4. You don't have enough people coming into the store
5. When they do come in the staff lets most of them walk without buying.

Solve these five reasons and life will be good. Solve these and.....

1. You'll make more money, personally. (Owners of stores should figure roughly that you get paid 10% of total store sales as your salary.)
2. You will owe less money to accounts payables, the bank and **to yourself!**
3. Vendors won't be pounding your pavement for bills.
4. Your customers will have fresher inventory to choose from and your store will have "vibrancy" to it.
5. You'll have more to have better paid employees. From my own personal experience higher paid employees are better employees.
6. You'll have less stress.

So let's tackle the first reason for financial distress (these are not in order of importance, I just love repairs!)

1. You don't charge enough for your labor

This is the easiest problem to fix. Really. All you have to do is to charge more for the service, customers **WILL PAY**. Why will they pay higher prices? Simple:

Repairs are not PRICE sensitive, they are *TRUST SENSITIVE*

Here's proof. Think about these two scenarios.

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Most jewelers say 3 out of 10 will say “I’ll take it”, some say 4, 5 or 6 out of 10 say “O.K., I’ll buy it. But the typical jewelry store sells only 3 people out of 10.

You should be more concerned with the 7 people who walk and leave your store with hundreds of thousands of dollars of unsold inventory than one measly person who walks on a repair!

Sheesh!

No matter how much you charge, 90% or more of your customers will say “O.K.”. It’s all because repairs are trust driven, not price driven.

Can I let you in on a little secret?

Being the repair guru ☺ that I am, I have a better feel for pricing repairs than most folks in our industry. Want to know what most people charge to size a 14kt ring smaller?

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- A. Decide to make more money from repairs.
- B. Pick a number higher than you charged before.
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2. Customers will walk.
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3. If you raise your repair prices customer will think all prices in the store are sky high.
(I wouldn't worry. 9 out of 10 buy a repair. I'd be more worried about the 70% who don't buy your product. Besides, ANY repair you do for a customer instills **trust** into that customer. They know you and just might try you *first* when it comes to buying a piece of jewelry).
4. I can't charge that much!
(Your problem is you think it takes 10 minutes to do and think that's nothing. But a 10 minute job actually consumes 20 minutes of your valuable time, which you didn't charge for either. You must charge for your time so they shop pays its fair share of lights. Rent, staffing, etc).
5. It didn't take me but a moment to do that work.
(Read #4 above again. If you charge \$100 an hour for your time and the job didn't take a "moment", how long is a moment? 10 minutes? That's 10/60th of

an hour or 16% of the \$100. That means a “moment” should bring in \$16.00 in revenue. Why not just let every customer pick out a FREE \$16 bracelet from the case-just to make them happy? Yeah, right, like that will happen).

6. I can't charge a customer for my mistakes.
(Who do you think pays for ANYTHING in the store? Your company car is paid by customers, as is your salary. You know the computer you're reading this on? That's right paid for by the customer. And they thought they were buying a ring. I've paid \$14,000 in car insurance premiums over 7 years. Why? I have not had one single wreck in 7 years. Know why? **I'm paying for all of your mistakes, you bunch of knuckleheads!** Yes, customers pay for mistakes).
7. The staff won't go along with it.
(Who works for whom here? I would **never** ask for business advice from someone making ten bucks an hour and says “We can't charge that”. Hey let them take over meeting payroll for one week and see what they say.)
8. I'm scared.
(We all are. But I'm here to tell you that in my store, where we did over 8800 jobs a year with $\frac{3}{4}$ of our 1.8 million dollars in business coming from the shop that yes indeed they will pay. Plus, over 5000 stores across America have a copy of our book. They all say the same thing. When they speak the words, the higher prices, 90% of customers will say **yes**.)
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Repairs should have the same markup as product plus about one more time. If your average repair sale is \$35 (mine in 1999 was \$65) my question to you is

“If you sold a piece of jewelry from the showcase for \$35.00, what would the cost be?”

If you said we “keystone everything”, then you double your costs (which is \$17.50 in this case.)

Then what if a customer buys the \$35 item, let's say it's a chain, and she brings it back in 3 weeks. Will you refund her the money? Even if you say **NO** and give her an in-store credit, you have refunded her because she can get something else and you have the chain back. What do you do with the chain?

Resell it-recoup your cost.

But what if you charged \$35 to size a ring several sizes larger and 3 weeks later she comes back and says “Hey, this ring is waaaaaayyy to tight!” Would you resize it at no charge? Most jewelers say **YES!**

So in this case you have to pay to have the ring sized **again**. What do you about the *first \$17.50 you paid to size the ring*? You **EAT IT**.

For that reason repairs should have the same markup as product *plus* one more time.

If it cost you \$17.50 to size the ring larger, you should triple it, not keystone it, for \$52.00 so that you can pay for mistakes and screw ups.

We did an analysis in our store one time for mistakes/screw-ups. It was 10% of **everything** we touched in the shop! So we raised our prices by 10% so the customer paid for our mistakes-not us by taking it out of profits.

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Now materials are fairly easy. If the lobster claw costs \$5 and the finding catalogue is triple key then the claw retails for \$15.00 plus soldering it on.

But what about labor? It should have a 3 time markup too. This was easy for me as I went to a 100% commission plan. I knew what it cost to solder a chain because we paid the jewelers a flat fee. (Don't fret. You don't have to go to commission for your jewelers-just charge correctly).

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1. Put the claw on, arrange the jump ring.
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So if you triple the \$4 you'd charge \$12 to solder. But is that all it costs to solder the chain is \$4?

No, there's matching Fica/Medicare; vacation pay; holiday pay; benefits and a host of other employee costs.

You have to add 25% to every employee's gross pay of \$4 then it **really costs FIVE DOLLARS** to solder. What would you mark up \$5. The same 3 times equals \$15 retail, not \$12.

I found this out the hard way. So the correct way to price the lobster claw is \$15 plus add in \$15 for the solder (3 time markup on the labor with taxes) and it sells for \$30.00.

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A few more ideas of encouragement and I'll let you go. I spoke to a jeweler a few years ago who was tired of working his butt off 70 hours a week. He told his staff

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The questions is: **How many people out of 10 look in the case and say “I’ll take that one?”**

Most jewelers say 3 out of 10 will say “I’ll take it”, some say 4, 5 or 6 out of 10 say “O.K., I’ll buy it. But the typical jewelry store sells only 3 people out of 10.

You should be more concerned with the 7 people who walk and leave your store with hundreds of thousands of dollars of unsold inventory than one measly person who walks on a repair!

Sheesh!

No matter how much you charge, 90% or more of your customers will say “O.K.”. It’s all because repairs are trust driven, not price driven.

Can I let you in on a little secret?

Being the repair guru ☺ that I am, I have a better feel for pricing repairs than most folks in our industry. Want to know what most people charge to size a 14kt ring smaller?

The lowest retail price is a store in downtown L.A. who charges five bucks (\$5).

The highest price is a free standing jeweler in Houston who charges \$90 to size a ring smaller with a torch and \$110 to size the same ring smaller with a laser.

(70% of all customers choose the laser when having their ring sized.)

Crazy you say? Yeah, O.K., I kind of agree. But what is *really typical*?

Typical ring sizing smaller in an American retail jewelry store ranges from \$15 to \$35.

ALL OF THEM HAVE A 90% CLOSING RATIO!

It's simple. To make more money from repairs, all you have to do is:

- A. Decide to make more money from repairs.
- B. Pick a number higher than you charged before.
- C. Spit out of your mouth this new number when a customer says "How much?"
- D. Write up the envelope and make more money.

It really is that simple. Now why aren't you making more money from repairs? I've been in your shoes before (or your bench so to speak). Here are most reasons why jewelers think they can't raise their repair prices:

1. Customers will complain.
(1 out of 10 not buying is not complaining! You should be more worried about the 7 out of 10 who complain about your products that they don't buy).
2. Customers will walk.
(Over the years you MUST have raised your repair prices. Did anyone walk when you went from \$10 to \$12? From \$18 to \$20? No!)
3. If you raise your repair prices customer will think all prices in the store are sky high.
(I wouldn't worry. 9 out of 10 buy a repair. I'd be more worried about the 70% who don't buy your product. Besides, ANY repair you do for a customer instills **trust** into that customer. They know you and just might try you *first* when it comes to buying a piece of jewelry).
4. I can't charge that much!
(Your problem is you think it takes 10 minutes to do and think that's nothing. But a 10 minute job actually consumes 20 minutes of your valuable time, which you didn't charge for either. You must charge for your time so they shop pays its fair share of lights. Rent, staffing, etc).
5. It didn't take me but a moment to do that work.
(Read #4 above again. If you charge \$100 an hour for your time and the job didn't take a "moment", how long is a moment? 10 minutes? That's 10/60th of

an hour or 16% of the \$100. That means a “moment” should bring in \$16.00 in revenue. Why not just let every customer pick out a FREE \$16 bracelet from the case-just to make them happy? Yeah, right, like that will happen).

6. I can't charge a customer for my mistakes.
(Who do you think pays for ANYTHING in the store? Your company car is paid by customers, as is your salary. You know the computer you're reading this on? That's right paid for by the customer. And they thought they were buying a ring. I've paid \$14,000 in car insurance premiums over 7 years. Why? I have not had one single wreck in 7 years. Know why? **I'm paying for all of your mistakes, you bunch of knuckleheads!** Yes, customers pay for mistakes).
7. The staff won't go along with it.
(Who works for whom here? I would **never** ask for business advice from someone making ten bucks an hour and says “We can't charge that”. Hey let them take over meeting payroll for one week and see what they say.)
8. I'm scared.
(We all are. But I'm here to tell you that in my store, where we did over 8800 jobs a year with $\frac{3}{4}$ of our 1.8 million dollars in business coming from the shop that yes indeed they will pay. Plus, over 5000 stores across America have a copy of our book. They all say the same thing. When they speak the words, the higher prices, 90% of customers will say **yes**.)
- 9.

Repairs should have the same markup as product plus about one more time. If your average repair sale is \$35 (mine in 1999 was \$65) my question to you is

“If you sold a piece of jewelry from the showcase for \$35.00, what would the cost be?”

If you said we “keystone everything”, then you double your costs (which is \$17.50 in this case.)

Then what if a customer buys the \$35 item, let's say it's a chain, and she brings it back in 3 weeks. Will you refund her the money? Even if you say **NO** and give her an in-store credit, you have refunded her because she can get something else and you have the chain back. What do you do with the chain?

Resell it-recoup your cost.

But what if you charged \$35 to size a ring several sizes larger and 3 weeks later she comes back and says “Hey, this ring is waaaaayyy to tight!” Would you resize it at no charge? Most jewelers say **YES!**

So in this case you have to pay to have the ring sized **again**. What do you about the *first \$17.50 you paid to size the ring*? You **EAT IT**.

For that reason repairs should have the same markup as product *plus* one more time.

If it cost you \$17.50 to size the ring larger, you should triple it, not keystone it, for \$52.00 so that you can pay for mistakes and screw ups.

We did an analysis in our store one time for mistakes/screw-ups. It was 10% of **everything** we touched in the shop! So we raised our prices by 10% so the customer paid for our mistakes-not us by taking it out of profits.

HOW TO PRICE REPAIRS

Pricing repairs is easy for **YOU**. All you have to do is use my price book (Geller's Blue Book). A snap. I wish I had this pricing guide when I started in 1974. It took me until 1987 to learn the secret to pricing repairs and custom and then 5 more years to put it into the written form and perfect it.

Let's go back to the \$35 average repair question. If a \$35 sale in your store should have a 3 time markup, then so should repairs. That should be your goal. Remember "3 time" or "triple key".

So repairs have two components:

1. Material
2. Labor

Now materials are fairly easy. If the lobster claw costs \$5 and the finding catalogue is triple key then the claw retails for \$15.00 plus soldering it on.

But what about labor? It should have a 3 time markup too. This was easy for me as I went to a 100% commission plan. I knew what it cost to solder a chain because we paid the jewelers a flat fee. (Don't fret. You don't have to go to commission for your jewelers-just charge correctly).

So if we would pay the jeweler \$4 to do the work, which means she or her will:

1. Put the claw on, arrange the jump ring.
2. Solder the jump ring.
3. Remove the burn.
4. Polish
5. Place it in a plastic zip lock bag

So if you triple the \$4 you'd charge \$12 to solder. But is that all it costs to solder the chain is \$4?

No, there's matching Fica/Medicare; vacation pay; holiday pay; benefits and a host of other employee costs.

You have to add 25% to every employee's gross pay of \$4 then it **really costs FIVE DOLLARS** to solder. What would you mark up \$5. The same 3 times equals \$15 retail, not \$12.

I found this out the hard way. So the correct way to price the lobster claw is \$15 plus add in \$15 for the solder (3 time markup on the labor with taxes) and it sells for \$30.00.

This is how I figured all of the prices in my price book.

A few more ideas of encouragement and I'll let you go. I spoke to a jeweler a few years ago who was tired of working his butt off 70 hours a week. He told his staff

"Take our price list and raise the price **one dollar a day**. A \$10 solder today will be \$11 tomorrow and \$12 on Wednesday."

He figured that sometime in the future his prices would be so high but some people would fall off but he'd still be making more money with **less work**.

He was almost right.

When he emailed me a \$10 repair was now up to \$25 and he was **taking in the same number of job envelopes**. Still working 70 hours a week but taking in 2.5 times the money!

When I redid our last price book I sent out a questionnaire to help me revamp it for the retailers benefit. I asked **one question** just for me:

"What did this book do for you?"

OVER 85% OF THOSE WHO FAXED IN THE QUESTIONNAIRE SAID IT RAISED THEIR SHOP SALES ANYWHERE FROM 50% TO 100%!

I ASKED MANY FOLKS AND HERE'S THE DIFFERENCE BETWEEN THOSE WHO GOT A 50% INCREASE AND 100% INCREASE.

The 100% increase folks just decided they had enough, opened the book, pointed and said "That's all it will be". And they got it.

The 50% folks said "Some of the prices won't work here, so even without testing; we won't even offer the customer a higher price. We'll just tell them our price." And they got it.

Both groups did the same thing:

“Opened their mouth, said a number and 90% of the customers said O.K.”

Repairs are trust sensitive, not price sensitive.

See you next time.

David Geller

Director of Profit