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STRATEGY

David Geller: Retail Jewelry Business Insights & Strategies

Includes 5 Articles:

Should You Track Costs On Repairs?

Sell Without Discounting

It Was New When You Bought It

Your Store Is Nothing But Numbers

Who Should Be On Your Bus?

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David Geller: Retail Jewelry Business Insights & Strategies

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INTRODUCTION

David Geller has been a member and active contributor to Polygon since 1997, offering real-world advice, valuable business insights and proven sales strategies to the Polygon community. From the storefront to the jewelry bench, David's expertise is renowned in the retail jewelry industry, and he has helped countless retail jewelers improve their business practices, eliminate unnecessary costs and increase profits.

In this collection of insights and strategies chosen from his articles on Polygon, David covers topics including how to accurately price jewelry repairs, how to turn inventory without discounting, the correct way to calculate store profits and losses, tips for hiring and retaining retail sales staff and more. This collection is a must-read for any retail jeweler seeking to learn about real-world strategies and best practices to help increase profitability, improve store efficiency and develop a loyal customer base.

David Geller is a 14th generation jeweler who operated the retail shop Jewelry Artisans in Atlanta, GA for over 25 years before selling the business and starting www.jewelerprofit.com. His guide to retail jewelry repair pricing, "Geller's Blue Book", is considered an industry benchmark. David is now focused on assisting independent jewelry retailers by setting up point-of-sale programs at their stores, integrating retail accounting for jewelers as a QuickBooks Pro Advisor, and running best-practices boot camps for jewelers across the United States.

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Sell Without Discounting

Should You Track Costs on Repairs?

Over the years, I and others have concocted ways to track costs to see if we are making money on repairs and custom design. For the most part it's a waste of time. How can that be? We track costs, sales and profits for selling diamonds and rings. Why not repairs and such? The answer is pretty simple – you have no clue what your labor cost is, and neither does the jeweler.

Yeah, but I've been doing this for 20 years and I know how long it takes, you say. Sorry Charlie, no you don't.

There are 3 numbers to costing labor – let's see if you know what they are:

1. *The amount of time you think it takes to do the job.*
It typically takes 25-50% longer than what you figure.

2. *Down time.*

This means time that was not spent doing the actual bench work and can include anything from talking to the staff, answering phones, rolling emery paper, and changing light bulbs.

3. *Freebies.*

You may size a ring from the case at no charge, have a redo, or just do something nice for a nice customer.

I've done time studies with bench jewelers, and found that out of a typical 8-hour work day, they average 5.5 hours of bench work. That means that if your jeweler said it took him/her 1 hour to do a job, it really took 1 hour and 20 minutes.

If your jeweler is paid \$20/hour, and the job supposedly took 1 hour, you likely calculate your cost at \$20.

However, one important consideration that you need to factor in, is that \$20 should be marked up just like merchandise. If you'd sell a \$20 cost chain for \$60, then the jeweler should sell for \$60. (Actually, he should sell for \$70 because of come-backs, screw-ups, re-dos, freebies, etc.)

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Should You Track Costs on Repairs?

Triple key on \$20. Pretty good, eh? WRONG!

It didn't take 1 hour, it took 1 hour and 20 minutes. So your cost has now gone from \$20 to \$26.

You also forgot about your matching Fica/Medicare, vacation, sick pay, unemployment. You need to add 25% more to that \$26 number to handle those costs. So, your \$26 cost is really more like \$32.50. All from a guy who makes \$20/hour. So, if you'd triple key \$20 to \$60 would you also triple key \$32.50? If yes, then the jewelers work shouldn't sell for \$60 but \$97.50! That means your pricing was 38% off the mark. OMG!

Want a simple way to see how your shop is doing without keeping track of all of these numbers?

Track everything by totals by month, not by job. Then compare total shop costs to total shop sales. If shop sales are at least double shop costs (keystone), then you're doing a good job. Go for more? Great! But calculating everything by totals takes into account all of the freebies and re-dos.

On your P&L, spreadsheet or legal pad, the numbers might look like this:

SHOP SALES

Repairs	\$5600.00
Custom Design	\$4200.00
Total Shop Sales	\$9800.00

SHOP COSTS

Jewelers' pay	\$3200.00
Jewelers' taxes	\$800.00
Findings & supplies bought	\$900.00
Total Shop Costs:	\$4900.00

GROSS PROFIT \$4900.00 - 50%

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Should You Track Costs on Repairs?

See how much easier it is to see how the shop is doing without counting pennies? This also means you probably shouldn't ask a jeweler how much to charge. Just ask, How long will it take? Say thanks, add 25% to whatever they say and multiply the time by \$100-\$125/hour for your time.

Most findings will be triple key added to the labor.

If you're not getting at least keystone, it's time to raise your shop prices. That's the only way to fix your problem unless you can lower the jeweler's paycheck, and good luck with that!

Now you'll be making money, and not to worry – you'll keep your closing ratio because repairs are not price sensitive, they are trust sensitive.

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It Was New When You Bought It

Sell Without Discounting

You've heard "shoot while the ducks are flying". The month with the most traffic for your store is of course Christmas/December. This is the time to get rid of the dogs in the case. I've written a lot about old inventory in our business and "old" is anything over a year but a "dog" is easily anything over 18 months. So let's get rid of 18 month old dogs this holiday.

Take an array of "dogs" from the cases and place them in one case by themselves. Name the case "Saying goodbye to our old friends" case. Or as I've also seen labeled "Extreme Value" case. Don't place bridal in this case. It doesn't move as a greatly discounted item. That's another story. This special case of course should be discounted 24-60% depending upon its age.

But here's the real sweet spot. Plan your advertising for the holiday and especially in store signage to promote this idea: "Buy anything in the store for \$500 and over and pick another gift absolutely free in our Extreme Value case".

You do have to set some dollar limits on it. A good idea would be to let them choose an item for free in the Extreme value case that is "tagged" at 50% of the price they are buying.

If they are buying a gift for their wife and its \$1000 you should always be adding on. "Have you bought anything yet for your daughter/mother/niece/secretary?"

Start the add-on conversation. Then taken them to the Extreme Value case. "You have chosen this beautiful \$1000 item. Now you can choose anything in our extreme value case for free. It can be anything up to \$500 on the tag, which is half of what you're spending now."

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Think how this works:

1. You get the regular price on the \$1000 item. If you discount some to make a sale I'm not worried.
2. You are giving away a \$500 item but your cost is probably 1/2 of retail so your cost is \$250.
3. Considering the \$250 cost item is 25% of the \$1000 selling item it's a 25% discount. But the customer sees they are getting a \$500 item for free and you can talk up the positives that it's like getting the whole she-bang at a 50% discount.
4. Rather than discounting the \$1000 item by 25% and only collecting \$750 you actually get to keep \$1000.
5. In using the Extreme Value case as "bait" to help make a bigger sale you're getting rid of dogs that just possibly no one would buy on its own but do buy as an "additional" free gift. (Hey, it didn't sell in 18 month, it has a 75% chance of being here another 24months).
6. Sell the free one at zero dollars in your point of sale system.

This is something the staff needs to be suggesting now to every customer. They won't read signs, save your emails, it's a selling job. You should be elated that you've moved old merchandise and received full retail on the initial sale! Want to make this stick? Give the sales staff \$25 every time they make a sale using this technique. Don't worry about the cost of \$25; it's cheaper than anything else you've done to generate \$1000 in sales. Yes I'd give the money even if the sale was \$250, \$500 or more. This is the time to generate sales, cash flow and make customers happy. After all, they received 2 items for the price of one.

Now go make your Extreme Value case.

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Your Store Is Nothing But Numbers

It Was New When You Bought It

How long until inventory becomes REALLY old? Do you think you could sell something that you've had in stock since 1964?

Over the years, after talking to a boat load of jewelers about "when does inventory become old" I've found no one wants to lose money when they sell something. So they keep on holding onto items, thinking one day they'll sell it for more than they paid for it. It's obvious if you buy it for \$100 and sell it for \$250, you'll make a profit of \$150, right? Sort of.

If I offered you a job to work for me and I told you I'd pay \$100,000 a year, would you be happy? What if it took me 3 years to finally pay you? Different, eh? What if I offered to pay the TAXES on the \$100 grand, would you be happier?

Oh, you expected \$100,000 EVERY year for all 3 years. You expected to get paid a total of \$300,000. You worked 3 years after all. What? You had 3 years of expenses to pay?

Inventory is no different. You should expect your inventory to pay you a profit each year since you bought it, not just when it sells. So a \$100 ring should bring in \$150 in profits EACH year. Over 3 years that's \$450 in profits. If an item takes 3 years to sell and you finally get your \$250 (\$150 in profit) you actually lost \$300. That's the difference between what you received and what you should have received.

But I've been writing about this for years. Some of you get it and have reported that your accounts payable have decreased as you unload old merchandise (over a year old) and sales increased because you can afford to get new and exciting merchandise.

Keep on reading because you're going to love this. Just recently I have consulted with two stores and almost everything they sell was made 45 years ago! OMG is this stuff old!

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And they make a boatload of money!

So how does David Geller tell you on one end get rid of jewelry if over 1 year old but on another some folks make money from stuff that's 40 years old?

Simple. Date of manufacture, not date of the sale. Big difference.

Store #1

This store heavily advertises to buy customers old jewelry, just like every other jeweler in America. But they have approximately 3000 sq ft just for buying. Maybe 5 private offices, just for buying. When they buy it's for two purposes:

1. To scrap it to refiners and some dealers. Simple, in on Monday, out by Friday, get a check next week. Their scrap sales to refiners are more than the "a" and "b" combined below.
2. For resale. Buy it to resell it in one of two venues they have.

Venues:

They put it in their retail store. For the most part it is advertised and mostly sells "Estate Jewelry". (Old stuff). The retail store sells millions a year from the case of stuff that was made in 1964! (You get the idea).

This is cool. They also lease a T.V. cable channel 4 nights a week to sell mostly the low end stuff that isn't right for the high end store. The T.V. station can sell more than the retail store in a year. When I was there in one night they sold close to \$30,000 in stuff you'd get rid of.

Keep reading we're getting near your AH HAH! moment.

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Store #2

Helping a store right now that is probably 25-35 years in business and has a computer for email. Hand written checks, excel spread sheet to tell the accountant how the sales are split up. That's it! Small program for a few hundred bucks that prints pretty jewelry tags. They do over 3 million a year!

So after helping them and suggesting letting me setup QuickBooks and possibly getting a real jewelry point of sale program, I started asking about debt. You see inventory over a year old is a drag financially and if you are not making money by buying gold (they don't) then almost always the store will have a large amount of debt. Debt in a jewelry store is typically equal (with in 75%) to the value of all inventory over 1 year old. Eliminate old inventory and you virtually eliminate all debt in a store.

So I asked and this store has NO debt. Guess what, they also sell nothing but antique and estate stuff. \$2-3 million a year selling stuff from 1964!

HERE'S YOUR AH HAH MOMENT:

Both stores have found that the antique and estate items are new to them, their staff and their customers once the merchandise arrives and hits the cases.

(Sounds like your store, doesn't it, just a different year of manufacture)

But they both know that once their 1964 inventory becomes 6 months old in their case sales drop off by 75%.

Its not when it was manufactured its how long does it take to become stale in your store? That's why your friend in another city can send you her merchandise that won't sell and you stick it in the case and BAM! It sells better for you, because for you, your staff and your customers, it's all new.

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Of course this assumes it's not ugly!

More Ah Hah!

Store #1 would keep stuff in the cases forever but I showed them on their POS report that once it hits 6 months old, sales drop off. If they did \$3 million a year in sales from the store, almost 2 million came from stuff they had just bought 6 months ago. Six month old merchandise attributed to 66% of total store sales.

Stuff 6-12 months old was something like \$125,000 and the remainder was stuff that was 12 months to 9 years old (yes, not a misprint). So we devised a new plan.

Buy estate items and put it in the retail store.
If it doesn't sell within 6 months send it to the TV station.
If it doesn't sell within 6 months at the station, scrap it.
Its all about money.

Store #2 is a different animal. She only needed to be given an iPad (I'm joking). She just needs computerized organization. I was almost leaning towards getting her into accounting and not a POS program. Why? If it ain't broke don't fix it. She's making money and there's NO INVENTORY in the store over 6 months old. But she wants to be more organized. So onward we will go.

Funny, I asked her how much inventory she owned and she didn't have a clue. Have to ask the accountant. Doesn't matter anyway. Her tags have a date on them. When it hits 6 months old its "outta the store". She told me that she didn't want anything in the store over 6 months old. She said "I don't like it, sales staff doesn't like it and the customers surely don't like it. They want to see new merchandise. (New to them, not manufactured new).

Today's secret number for 2 stores: with sales in the many millions of dollars and very little debt? If it's over 6 months old, it's no longer new and we want new stuff. Dump it and move on. Even if it was manufactured in 1964.

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Who Should Be On Your Bus ?

Your Store Is Nothing But Numbers

A store manger emailed me and asked some questions. Here's the managers question and my response below (names have been removed to protect the innocent).This is key to making a store profitable and increase sales at a LOW or almost ZERO cost.

He wrote:

Excellent article! As the manager here at our store, we discuss these things,

but not necessarily "all" of these things together. This will be a good guide to follow at our next management meeting.

I wondered if you could address payroll costs and percentages. That is an area we are always concerned about.

I also worry about the hidden cost of turnover, and the time and effort that goes into training new employees.

Your thoughts so I could add that to this outline for discussion???

Thank you!

My response:

The Jewelers of America cost of doing business survey has what others spend as a percentage of sales.

You can get it here:

<http://www.jewelers.org/benefits/business/cost-of-doing-business>

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PAYROLL:

1. I take jewelers' wages OUT of payroll, they are a cost of the shop.

That leaves IN PAYROLL:

- admin costs
- owners pay
- sales staff wages

I assume your store does over a million in sales. If so, total sales staff pay should be about 10% of total store sales. Their individual pay should also be 10% of their total sales.

In general, sales staff should cost you anywhere between 8 to 13% of total sales.

If they cost as low as 8% they are very EFFICIENT (yea!)

If they cost about 14% of their sales, they are INEFFICIENT :-(

When calculating, it has to be all on sales activity (yes this includes repairs, custom design and watch batteries).

If Mary is a full time sales person and packages up the Fedex boxes BUT she can drop what she's doing to wait on a customer, that's not admin time, she's 100% selling.

But if the bookkeeper spends 1/2 her time in the office and is paid \$40,000 a year, then to figure how well she does in selling you'd divide just the selling costs of her pay (\$20,000 is 50% of her total pay) against her sales.

If she sold in a year \$220,000 we divide her cost of \$20,000 to sell by her sales of \$220,000, she costs you 9% WHEN SHE SELLS, very good.

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TOTAL PAYROLL:

In a store like yours, take out the owners pay and leave in the managers, sales staff and admin, and that number in a store can range from 17% to 25%. High volume store, over 4-5 million payroll w/out the jeweler and owner can be 17-23%, give or take. I assume you have a commission system? If so, can you tell me about it?

TURNOVER COSTS:

I don't look at THAT number. But some people have said:

1. Turnover can cost half of their salary if they leave within a year.
2. Can't even worry about them for the first 90 day training period.

I look at what they cost if they stink!

I had 5 sales people and paid 10% commission-10% of what they sold, less on diamonds and less if they discounted excessively.

15 years ago at 10% commission, in a store doing 75% of its sales in custom in repair, here were their W-2's (round numbers) from 15 years ago:

\$32,000

\$41,000

\$44,000 (this one only worked 4 days a week)

\$55,000

\$61,000 (this one bought the store from me)

Because each one got 10%, it is easy to see how much they SOLD:

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\$320,000

\$410,000

\$444,000

\$550,000

\$610,000

Let's talk about the first one who sold \$320,000 in sales, and was paid \$32,000. She had been a manager at a Sterling jewelry store chain. Should have been great? Not so.

The part timer making \$44,000 had worked at a bank, she loved jewelry but that was her only jewelry experience. We had twice monthly sales meetings for an hour, and she became # 1 until she started part time and the guy came on board who made \$61,000

So I gave extra coaching to the \$32,000 a year sales person to no avail and finally let her go. Why?

Simple: look at the DIFFERENCE in sales between her sales of \$320,000 and the number two person at \$410,000.

She cost me \$90,000 in LOST sales. That's a REAL COST. So I let that person go.

It was funny, when I let her go the sales staff (on a 100% commission) said "please don't replace her, we'll take up the slack."

I didn't and they did take up the slack.

That's how I look at costs of a sales person leaving. If you pay them well and train them they will stay.

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TRAINING:

We had 1 hour meetings every other friday morning. We divided the sales meeting into 4 fifteen minute sessions:

1. Our price book

We had every one have a price book, brought out a white writing board for illustrations and started with page 1 of my book. We went over HOW we do the work, why we charge this amount, how to sell it and what to say to customers with a price objection. We stopped at 15 minutes, and picked up at the next page at the next meeting.

2. Product Knowledge

We let the STAFF sign up to teach the STAFF about a different product at each meeting. They would tell us where (Tanzanite as an example)a product comes from, its description, rarity, where its mined, its features (its a soft stone, not great for rings). If we didn't have any they could get them in on memo. Then they had to SELL one to someone at the meeting. Each meeting was a different stone or maybe about the different kinds of movements in watches, how pearls are farmed, etc.

3. Salesmanship

We used Harry Friedman's book "No Thanks, I'm Just looking" and went over about 15-20 pages in a chapter or a whole chapter at a meeting, including:

- a) getting ready for opening each morning.
- b) schmoozing and greeting the customer.
- c) the presentation
- d) handling objections
- e) closing the sales.
- f) add ons. Much more than I typed.

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Your Store Is Nothing But Numbers

4. Store news

Not store complaining. Store news. What's happening this week in advertising, new products we got in, John's wife had a baby, sales are only \$10,000 away from our goal, here are bonus checks for last month, etc.

When I went to a Harry Friedman seminar in 1991, I installed everything he said to do. Commissions, sales training, tracking closing ratios, weekly private meetings, average sale. Sales that year (Only started Harry's stuff in June) went up 35%.

Speaking of closing ratios, do you track how many people out of ten who look in the case actually BUY from the case? You should. Inventory is the store's biggest investment.

Average jewelry store in America sells only 2.5 or 3 people out of 10 who come in and look in the case. If your store closes 3 out of 10, and you could get just ONE more person to buy and sell 4 out of 10, that would be a 33% increase in sales without any additional advertising being spent. That's huge. If your average sale is \$400 for every 3 who buy that's \$1200 in sales

If you could go to 4 out of 10 that would be \$1600 in sales!. That's a 33% increase in sales.

Now if you add to that RAISING your average sale from \$400 to \$450 (or get a \$50 add on) and you now sell 4 out of 10 over now total sales for every 10 people who came in, sales would go from \$1200 to a whopping \$1800. That's a 50% increase in total store sales for just getting ONE more person to buy a \$50 higher ticket item. Huge, Huge, Huge.

Don't worry about what it costs if they leave.

Worry about what it costs IF THEY STAY!!!!

Who Should Be On Your Bus?

Jewelers are like the Wild West. Free thinkers, creative with a devil may care attitude at times. We love the independence of calling our own shots, good or bad. Some will become large enterprises, like taking a 10 room hotel and turning it into a chain with exquisite rooms, a bar and restaurant while others are just as happy to have their corner cafe.

But almost every café, hotel, ranch or **jewelry store** needs employees to help us to take us over the top. Most jewelers seem to hire anyone who doesn't "tick them off". Especially smaller stores. There is an excellent book that's been out for a few years that will help you with looking for great people and how to create a great store: **Good to great** by Jim Collins.

It's a great read for any business owner, no matter if you're doing only \$100,000 a year or 10 million. (The 10 million a year stores all have a copy of this book by the way). The premise of the book is simple. Your company or store is a bus and the employees are the riders in your bus. Their seats are their departments where they work in the store.

In the front of the bus are seats for people who sell and service customers. The middle seats are office staff, bookkeepers, store managers. Further back are seats on the bus for the jewelers, waxer, polisher and shop foreman. Whether the seats on your bus are filled or not doesn't mean the seat itself isn't available, it is.

To continue with the premise of **Good to Great**; rather than looking to hire a sales person, manager, administrative person or jeweler you **should be looking at WHO WOULD YOU LIKE TO TAKE A LONG RIDE WITH ON YOUR BUS?**

If you had to drive non stop from Miami to Seattle, who would you like to be on your bus? Who would make it an enjoyable trip, do their share of the chores and make it a better ride?

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Who Should Be On Your Bus?

You should be more concerned if the person you hire (to ride on *your bus*) will be a great asset rather than worrying if they have sold jewelry or ran an office.

When looking for sales staff you should hire enthusiastic people rather than only looking at those with GG training. If a person makes customers smile, stay involved and feel comfortable, you'll have better sales than someone who knows the 4 c's and can recite them backwards. You can train product knowledge but its hard to train enthusiasm.

So your first challenge is to hire the right people and then decide which seat they will fill the best on your bus. I remember we had a jeweler who was mediocre and had been doing jewelry bench work for about 5 years. We decided rather than fire this person to move this person from the shop to the sales floor. Best decision made for the store as well as the jeweler. Good passenger, we just had her in the wrong seat.

Your second challenge of course will be you. Just how good of a bus driver are you? If a "rider" on your bus should be making bigger sales, calling customers to come into the store or other chores do you just **expect them to do it**? They want to do it but just maybe you:

- Won't allow them the freedom to try and to fail.
- Give them the training and show them how to do the task.
- Maybe you don't know how to train people.

So I'd suggest you get some "bus driver training" yourself. I'd suggest Harry Friedman's Managers Boot camp: [Harry Friedman Managers Boot camp](#)

Good to Great is a wonderful read. Its available in bookstores, probably by download but I have found a great site to buy used books. You can find the Good to Great book used starting at \$2.46! [Good to Great](#)

So who's going to be on your bus?