

Computerized Mat Cutter Series

Teaching an Old Framer New Tricks

Part 3: Pricing

by Chris A. Paschke, CPF, GCF

When I began this series, little did I realize the true profit potential of investing in a computerized mat cutter (CMC).

True, I discussed the basic benefits of perhaps not requiring a full-time employee and of making fewer mistakes, but never did I expect to see the potential of design sales skyrocket as you might in this last installment which focuses on pricing.

In the first article of this series (*PFM*, March 2001), I showed an Asian multiple opening mat that could be a pricing nightmare. Traditional mat cutting may never have produced a design of this complexity, and even the mere suggestion would put fear in the heart of even the most skilled mat cutting specialist. In fact, even the more basic 10-opening mat may be feared and often avoided. With today's CMC we can not only cut a 10-opening mat, but we can also make it a double or triple without blinking.

Consider the technical aspects of the featured Asian Lattice design seen in Photo 1. It is a 16"x20" double mat, with 137 openings in the bottom mat alone. There are 34 openings in each corner with one central window 4¾"x6½" cut in a black surface paper, black core, 4-ply board. The top mat has four openings, one at each corner with one central window mat 5¼"x7" cut on a Crescent BriteCore matboard with red core. The corner openings are a single, central, corner offset 6¾"x8¾".

And if the number of openings is not enough to take your breath away, there are 25 of the ¾" squares, 40 of the 1"x¾" "T" shapes, 72 of the 1"x1" "plus sign" shapes, for a total of 1284 corners in the bottom mat alone. The top mat features an additional 28 corners, making this a

1312-corner, double mat design.

This is truly a great example of decorative art framing, since the viewer's eye will actively scan the latticework every bit as much as it will the Asian maid playing the flute. The red bevel accents also highlight and unify the red frame and red silk within the small, open edition print.

The Basics

Many people put CMCs through their paces when testing them at trade shows. They ask to see a star, a name, a keyhole corner; then they ask where to sign, only to get the new CMC home and set it free on just rectangles and ovals. It's true that even these basics can make money, save time, and create long-term happy customers, but there is so much more possible.

Once you begin showing potential decorative corners as samples either on your wall, your monitor, or in a photo album, they begin creeping into routine designs. But even the most basic offset corner window mat should cost more than its rectangular sibling. So, how do we price these?

Traditional vs. CMC Pricing

"Pricing should be intellectual, not emotional," says Jay Goltz, business editor of *PFM* and owner of Artists' Frame Service in Chicago. Pricing must take into account all overhead costs including boards, materials, square footage, design labor, production labor, and profit. Labor charges for matting include both manual cutting or CMC cut-

ting and front counter design and sales. CMC cutting is like selling mounting; it helps make the framed presentation look better, prettier, and perhaps more desirable to the customer.

Traditionally there have been (and continue to be) suggested price charts available from distributors and industry surveys, but these do not really originate from manufacturers. Pricing should be based on your own numbers, hourly shop time, and profit.

It seems the world has changed. While the equipment needed for manual mat cutting had a relatively low cost, it is a labor-intensive process. Now the CMC can reduce labor; however it can be a capital expenditure demanding considerations never before necessary (like recouping the greater cost of a more sophisticated machine).

A new CMC now can be categorized in the same realm as the purchase of a large hot/cold mounting press, or an underpinner. For the first time, a mat cutter costs more than the \$1,000 investment than might be made for a



Photo 1: Asian Latticework—This latticework mat is an excellent example of using a CMC to its full potential—not only by design, but profits.
(Framed artwork courtesy of Eclipse/Kaibab Industries.)

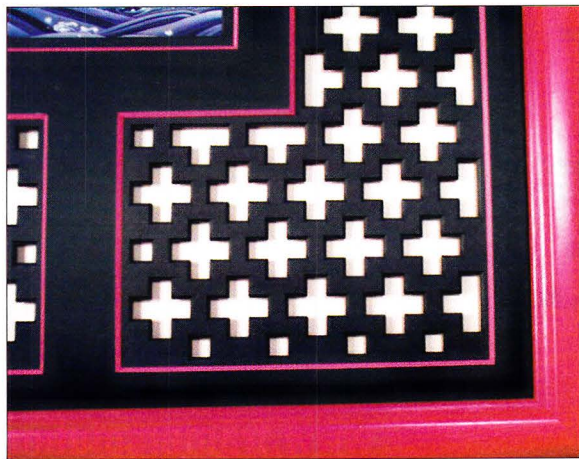


Photo 2: Assorted Opening Shapes—This corner detail shows the assortment of decorative openings cut with a CMC. Note the small squares, "T" shapes, and "plus sign" shapes that are priced separately in this article.

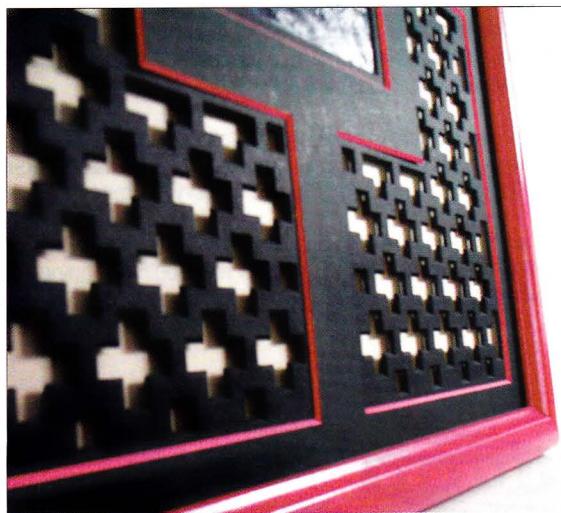


Photo 3: 3-D Latticework Detail—An angled detail of the featured design better shows the double mats that are attached then spaced away from the creme backing mat with a 1/8" foam spacer.

professional level, straightline mat cutter, and recouping that increase in capital expenditure is part of the pricing overhead. The cutter must actively work not only to make mat cutting easier, but also to pay for itself. In other words, it should earn its keep.

Never take lightly the fact that a traditional cutter takes up only 2'x5' of table space, but that a CMC will potentially require as much floor space as a 4'x8' vacuum mounting press. For years, I have taught about the mounting potential of a dry mount press, touting maximum profit potential only when it is in operation every minute of every working day. That is because part of the overhead of a press (as well as a CMC) includes the amount of space it takes up "just sitting there." A well-

designed press area for a 4'x 8' press could require up to a 10'x 30' space (300 square feet) when including the table set-up, press, and cooling area. At an average annual floor cost of \$15.00 per square foot, that press needs to take in \$4500 of profit annually to just sit there, even if unused, holding the floor down.

With a traditional mat cutter, the allocated floor space is much smaller and at times the cutter can be moved off the cutting table to make additional space for oversized projects. The CMC will require about 10'x 10' (100 square feet) of floor space, and at \$15.00 per square foot annually needs to recoup \$1500 of profit per year in its mat cutting price calculations. This is above capital expenditure, cost of matboard, labor, profit, and assorted other overhead.

CMC vs. Manual Labor

A primary problem in calculating pricing with a CMC is that there are no incremental costs. Like the aforementioned dry mount press, the CMC takes up space and that must be calculated into prices. There are many benefits to having an expeditious, robotic computer cutting mats, but there are tradeoffs.

What is saved in manual layout and cutting time is now spent on design time at the front counter. It's not that we do less work; we now do it in a different location. More time is taken creating the layout on the monitor, as well as showcasing the options for the customer in general. When there are hundreds, maybe thousands, of combinations and options, it takes longer to sort through them.

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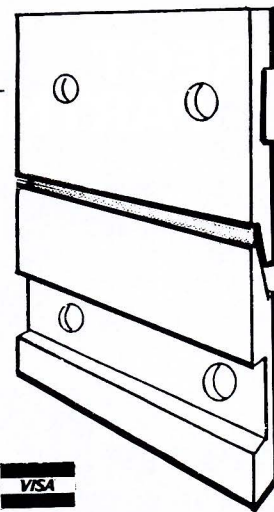
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No Such Thing as Pure Profit

I have been told by manufacturers promoting CMCs that once the design is programmed, then using it again is pure profit. That's fairly true in theory, but remember that there is still an operator being paid by the hour; still additional design time spent with the new customer; still material costs; still square footage floor space to be paid; and still other overhead expenses of electricity, insurance and routine maintenance on the equipment to be paid out prior to calculating profit.

Don't be naive about profits. I've heard myself say, "almost pure profit," when actually it is more of a value-added concept, time saver,

or stress reducer. Profits will be increased but there is always a related cost.

Time Saved, Time Burned

It must be remembered that with all its capabilities, a CMC is still a mat cutter, and like all mat cutters, it requires blade changes and slight adjustments as different boards are being cut. All 4-ply boards are not created equal after all; some are thicker and some are thinner, but they are all still called 4-ply. Will a CMC cut all kinds of boards? Of course, but if it takes additional time to adjust and test, and additional boards to also test cut, then this time and these supplies must be covered during pricing.

It matters not whether you have a professional straightline cutter or a CMC, maintenance and adjustments must be made either way. And just as with a manual mat cutter, the resulting mat will only be as professional and as perfected as the operator of the machine itself.

Pricing Theories

When questioning manufacturers about their pricing suggestions for this article, I received varied comments. Generally there was no fixed concept or answer. Suggestions were made to look into POS systems for mat pricing, but I fear they have yet to truly fit the concepts of the CMC. Industry information appears sketchy and suggested distributor price lists don't

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seem to address CMCs as a new pricing concept.

On the various online framer forums, I have seen framers chatting about how they are pricing CMCs in their own operation. Seems there has been no real formula or structure to use there either, and it appears that CMC pricing has been established by a number of different methods including: traditional manual mat cutting pricing; pricing by shop time; pricing by window opening; or pricing by the corner.

Charging based on hourly shop time by including "selling/design time + layout time" is an option but often difficult to estimate on elaborate layouts, like the Asian Lattice sample. Charging by number of openings doesn't address the variability of rectangular designs being much simpler to cut than a decorative keyhole corner. The keyhole should obviously price more, but what about a double offset or cathedral arch? Too many variations are possible; and there are still elements missing, such as the cost of the materials used, design time, overhead, and profits.

Charging by the number of corners might be the ticket, or at

least going in the right direction. But with this formula at \$.50 per corner, the featured Asian Lattice double mat with 1312-corner, double mat design would sell for over \$600.00. By calculating prices this way, the difficulty of a decorative opening will be addressed as well as the additional corner cut charges on a leased machine, but you might not sell many.

A Suggested Formula

I recently discussed CMC pricing with Jay Goltz, and we recognized and agreed the traditional mat pricing structures no longer work when applied to CMC use. You can't use old mat pricing (not even by adjusting old mat pricing). Rather we need to establish a new pricing structure—one that better fits the new cutter, new technology, new thinking, and new design potential which equals a new pricing structure altogether. The new CMC machine has to be fed to pay for itself and that only happens by running designs through it. The more unusual, the more involved, the more technological, and the more 21st century designs that are created, the more

that will be sold and the more profits there will be.

After calculating assorted potential formulations it seems that charging by the corner cut is the best way to begin. If the corner cuts cost the framer \$.05 each, then at 3x markup the corner cuts should price at least \$.15 each. This means per corner turn, not the four basic corners of the window itself. So a single offset corner would have three corner cuts per window corner (4 corners) of the design ($3 \times 4 = 12$ total cuts), a double offset would have five (5) cuts per corner ($5 \times 4 = 20$), and a star opening would have 10 total corner cuts (see Diagram 1).

Average shop charges vary between \$50.00 to \$75.00 per hour. At \$50.00, that's about \$.80 per minute. If it takes five minutes to cut a window opening, that's $5 \times \$0.80 = \4.00 per opening, based on the hourly rate. Add to that the materials and that's the basic mat cost. The mat cost should be 3x materials plus 3x labor. Cost of goods sold means materials plus labor.

If the mat has 20 openings, begin with the base price for the size mat needed and add \$4.00

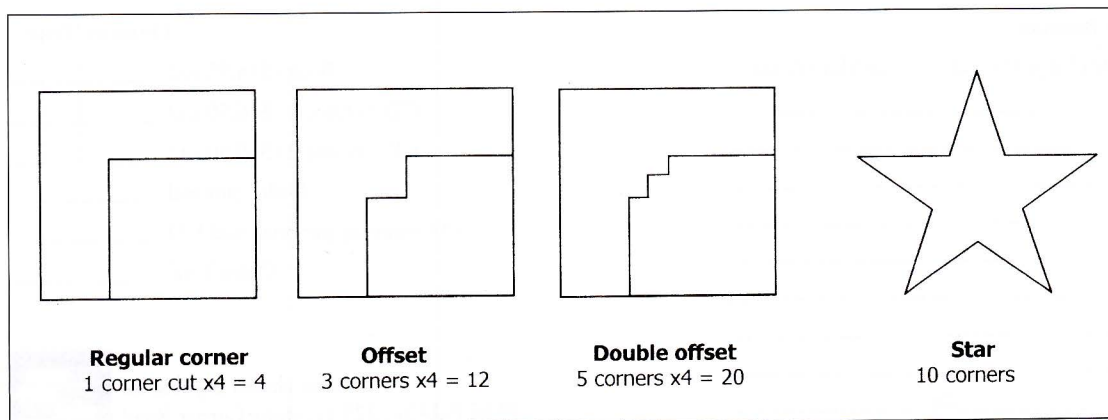


Diagram 1: Calculating number of cut corners may be the way to price for a CMC.

for every opening that has hinged art behind it. So the 20-opening mat would sell for the basic mat charge (\$16.00) + (20 openings x \$4.00) = \$16.00 + \$80.00 = \$96.00. The same mat with only one hinged window opening would be \$16.00 + \$4.00 for one hinge +

(19 x \$.60 per 4 corner opening) = \$16.00 + \$4.00 + \$11.40 = \$31.40.

Now if that 20-opening 16"x20" mat (with each window being hinged) has double offset corners in each opening the price would be (base mat + \$2.40 for

first offset) + (20 x \$4.00) + 19 x (\$.15 x 20 corner cuts = \$2.40 each decorative corner). In other words, it's \$18.40 + 80.00 + \$57.00 = \$155.40 (see Diagram 2).

Let's apply this formula to the Asian Lattice design. The bottom mat is a 16"x20" single window mat with 136 decorative openings. Say the base mat is \$16.00, add \$4.00 for the window = \$20.00, multiply 1280 corners x \$.15 = \$192.00. Therefore, the bottom mat would price at \$212.00. The top mat has five decorative openings with 28 corners, or \$16.00, + (28 corners x \$.15 = \$4.20) pricing it at \$20.20. The double mat would be priced than at \$212.00 + \$20.20 = \$232.20.

Type	Base Mat Price Cost of Materials	Hinged Window @ \$4.00 each	Corner charge @ \$.15 each cut	Retail Price
1 opening	\$16.00	\$4.00	\$0	\$20.00
10 openings	\$16.00	\$40.00	\$0	\$56.00
20 openings all hinged	\$16.00	\$80.00	\$0	\$96.00
20 openings 1 hinged + square corners	\$16.00	\$4.00	\$11.40 <small>19 x (4 x \$.15)</small>	\$31.40
20 openings 1 hinged all with offset corners	\$16.00 <small>(plus \$1.20 for first offset)</small>	\$4.00	\$34.20 <small>19 x (12 x \$.15)</small>	\$55.40
20 openings 1 hinged all double offset	\$16.00 <small>(plus \$2.40 for first offset)</small>	\$4.00	\$57.00 <small>19 x (20 x \$.15)</small>	\$79.40
20 openings all hinged all double offset	\$16.00 <small>(plus \$2.40 for first offset)</small>	\$80.00	\$57.00	\$155.40
Asian Latticework Top = 4 openings	\$16.00	\$0	\$4.20	\$20.20
Bottom = 1 hinged + 136 openings double mat	\$16.00	\$4.00	\$192.00 <small>(1280 x \$.15)</small>	\$212.00
				\$232.20

Diagram 2: All mats listed are 16"x20" outside dimensions. Noted mat prices are loosely taken from suggested straightline mat cutting pricing from a distributor pricing chart. The \$4.00 window charge is optional, and mat prices are not for upper-end suede boards. Adjust the formula to your needs and desires. This is only a suggested formula.

Same Design, Different Wall

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Help from Manufacturers

While doing research for this article, I spoke with Edd Pratt, sales and marketing manager at Wizard International, about a marketing and pricing plan that the company is working on with Jay Goltz. They selected Jay because of his experience in successfully incorporating CMCs into his operation. This plan is intended for all Wizard customers and will become part of their regular rental and/or sales packages. This kind of help is long overdue and could be available in March 2002.

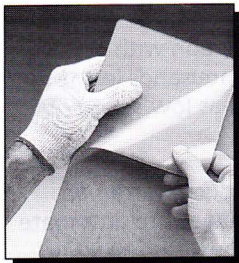
No doubt this all sounds rather confusing as pricing usually does. The theory is relatively sim-

ple yet calculations will be necessary at the time of each sale. You may need to implement a price chart or listing column in your current pricing programs. In any event, the point is to never charge less when mat cutting with a CMC because you think the labor is less. Remember all the costs and charge fairly. Giving away your profits may be a humanitarian thing to do but aren't you in service retail to also earn a living? ■

Again I'd like to thank Mark Eaton at Eclipse, Matt French from The Fletcher-Terry Co., and Edd Pratt from Wizard Int'l. for their assistance on the information contained in this article. Also, thanks to Jay Goltz for our extended brain storming over this pricing issue.

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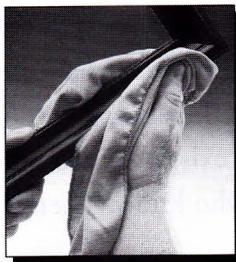
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