

# Collecting Customer

## Deposits

Strategies  
For Making  
This Must-Do  
Business  
Move Go  
Smoothly



BY JARED DAVIS, CPF, GCF

For many custom picture framers, asking clients for deposits or up-front payments can sometimes be awkward and uncomfortable. Oftentimes, they avoid doing so altogether out of fear.

In my frequent visits to frameshops, I've found there are many reasons the sales associates become reluctant to collect money at the time a customer places an order. Sometimes, they don't want to risk damaging

the close bond or friendship they've developed with a client during the current or previous consultation. Another reason is what I refer to as the small-town scenario: Everyone knows each other, and there's an unspoken, mutual level of trust among everyone in the store's town, so the store owner perceives it as rude to ask for a deposit.

Unfortunately, failing to collect money up front can be detrimental to business. Thus, it's important to consider the long-term effect of this practice.

Over the years, I've observed that more than 50 percent of the custom framers I visit still don't ask for deposits or up-front payments. Yet, it's interesting to note that at any time, an average framer could have between \$2,000 and \$10,000 in "pickups" waiting to be collected. That's a lot of money that could be used more effectively for the business. When things get tough, this type of situation leads to a higher level of financial exposure and risk, which could have a huge impact on cash flow for a small business.

Every time custom framers don't require deposits, they increase the financial risk of their businesses. Also, because of the diminished commitment they offer to the customers, the possibility of a customer not picking up an order increases.

Financial risk is a specialized industry best left to bankers, as they make money out of playing the game every day. Custom framers should act more like small businesspeople who need to carefully manage a business to ensure its long-term growth and security.

Perhaps custom framers need to think more like retail business operators and less like trade people who can get away with quoting a price for a job and getting paid on completion. Unlike most trade people, custom framers often have ongoing retail overheads to cover, which cannot be kept waiting for payment.

Having worked on the wholesale/supply side of the art-and-framing industry, I can attest that more than 80 percent of the framers I know that consistently struggle to pay their accounts on time do not request deposits or payment up front. This no doubt contributes to their cash flow difficulties, especially if they have a lot of outstanding pickups.

### WHY ASK FOR A DEPOSIT?

It is important to recognize that things change. In the past, consumers could order a product and pay upon receipt of goods. Today's consumers, however, now expect more choice in products, and for most retailers, more choice means less turnover of mainstream "safe" lines. Thanks to the changing practices of major retailers, especially furniture stores, to meet these consumer expectations, the old-school method of "order now, and pay for it when it is ready" has now changed to "pay in full up front, then wait."

For example, consumers today typically cannot go into a major furniture retailer and expect to buy a custom lounge suite or bed without paying for it in full first and then waiting six or more weeks for it to be made and shipped. So, why should custom framers be any different?

### HOW TO ASK FOR A DEPOSIT

As the old saying goes, "It's not what you ask for; it's how you ask for it." This certainly applies to deposits.

Framesmart Professional Picture Framers in Tamworth, Australia, created the sign pictured below to handle the sometimes-unpleasant task of asking a customer for a deposit.



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## 6 BENEFITS OF SECURING DEPOSITS OR UP-FRONT PAYMENTS

### 1 PROTECT THE SALE.

Obtaining a deposit or up-front payment secures a business from a possible competitor while the customer is waiting for the goods to be produced.

### 2 CREATE A COMMITMENT.

A deposit or up-front payment is both a financial and psychological commitment by the consumer—one that dramatically reduces the possibility of buyer's remorse after the sale is made, and the customer is waiting for the goods.

### 3 IMPROVE CASH FLOW.

Deposits and up-front payments greatly improve cash flow, especially if your business grows and needs the liquid cash to invest in other parts of the business or increase security in quieter times.

### 4 IMPROVE VENDOR RELATIONSHIPS.

Improved cash flows creates an increased ability to pay vendors on time, which can also become a strong bargaining power for better service and better pricing or discounts.

### 5 REDUCE FINANCIAL RISK.

Deposits and up-front payments reduce your financial risk because an increased commitment from the customer means a reduced chance of "forgotten or delayed pickups," bad debts and unpaid goods.

### 6 SAVE STORAGE SPACE.

Consumers who pay up front or pay large deposits will always be more likely to pick up the goods as soon as they are complete, which means less storage space required for finished jobs because of more turnover.



Eddie Hayes of Frame Oz Images in Cairns, Australia, and his staff came up with effective ways to get customers to pay deposits and rehearsed the strategies before using them on the sales floor.

The issues of requesting a deposit can be handled in few different ways, both directly and indirectly. Here are two strategies to consider:

#### The Indirect Approach: Create A Sign.

Create a simple, neutral sign to display for your front counter that handles the "unpleasant" task for you. For instance, Framesmart Professional Picture Framers in Tamworth, Australia, posted a sign that reads: "Due to the unique, customized nature of our work, we kindly appreciate a 50% deposit with all orders."

#### The Direct Approach: Ask For It.

Develop a simple script that you can train yourself and your staff to say. For instance, try something like: "Would you like to pay for that now, or just pay a 50 percent deposit, and then pay the rest when you come to pick it up?"

Here's another easy phrase to use at the completion of an order: "So, how would you like to pay for that today?" This simple question softly leads to the assumption that they have to pay then, and it puts the ball in their court if they want to ask about other payment options like deposits.

For example, Eddie Hayes of Frame Oz Images in Cairns, Australia, uses the following line: "Are you paying in full today or just your deposit?" Hayes and his staff trained themselves to memorize this line by saying it loudly to each other 10 times each until it became second nature on the sales floor.

If the customer objects to paying a deposit, or makes an excuse, simply say, "No problem, I can hold the job and artwork here for you, and as soon as we've received your deposit, we'll order the materials and commence working on your framing." Hayes also uses the following simple, but effective, memorized response when a customer questions the need to make a deposit: "To help us complete your work."

There's also a good way to handle price-shocked custom-

## GETTING CUSTOMERS TO PREPAY: One Framer's Successful Strategy

I recently visited Nielsen Picture Framing in Australia and had an insightful conversation with the owner, Sue Nielsen, about getting customers to pay deposits. I know her well, so we were pretty open with each other.

Shortly after I greeted her and looked around the store, I said, "I'm guessing things must be quiet for you at the moment."

Nielsen, who is an exceptional framer, replied, "Why do you say that, Jared? I'm actually busier than I've ever been."

"Well, you don't seem to have many jobs waiting to be picked up in your pickup bays, so I just assumed things were a bit quiet," I said.

Nielsen replied, "Ah, you don't understand how my business works, Jared; that's because all my customers pick their jobs up right away, as soon as they are done. It's starting to save me extra storage space for pickups, as you can see."

I then asked, "So, how do you get your customers to pick up so promptly?"

Nielsen told me: "Easy. I get them all to pay for their jobs in full up front, so that way they are always here to get

them as soon as they are complete."

I said, "I see. So how do you overcome the challenge of getting your customers to pay up front? Isn't that a bit awkward?"

Nielsen went on to explain her simple system that made it worthwhile for all of her customers to pay up front. After the consultation, she quotes the price for the frame job, and when the customer makes a decision, she says, "Oh, by the way, did I mention to you that we also offer a 5-percent discount if you pay for that in full now, rather than just a 50-percent deposit?" As a result of this simple, verbal offer, 99 percent of her customers choose to pay up front and benefit from the discount.

To that, I asked her, "So, how does dropping your prices by 5 percent like that all the time affect your profit margins?"

"It doesn't. I just increased all my prices by 5 percent to cover the discount, and anyone who just wants to pay a 50-percent deposit ends up paying a 5-percent premium for the privilege," Nielsen replied.

She then explained: "Jared, I have a couple of regular, loyal customers that like to just leave the job with

me to consult and frame for them because they trust my design. On a recent Monday when my store was closed, I had one of these customers slip a print with a letter attached under my door."

The letter read something to the effect of:

**Dear Sue,**

Please find another print that I would like you to design a frame for. I trust your eye, and I definitely want to go ahead with the job. I have attached a blank check, so you can work out my price, and I don't miss out on the 5-percent discount for paying up front.

Kind regards,  
*Loyal Customer*

Nielsen's simple system was enlightening. It certainly made a difference to her whole business, and her customers believed they were getting a benefit as well.

—Jared Davis, CPF, GCF

ers who respond to a quote with something to the effect of, "Wow, \$400 to frame my artwork? I didn't realize it was going to be so much?" You could respond with something like, "Well, because you pay a 50-percent deposit now, you're only going to have to pay half of the amount when you come back to pick it up in two weeks." Perhaps the customer hadn't considered it from that perspective.

Because deposits can be vital to the cash flow and long-term success of a small business, owners should not feel guilty about requiring them. There's a good chance today's consumers expect to pay up front anyway.



With 18 years of experience in the framing industry, Jared Davis, CPF, GCF, has covered the wholesale, commercial and retail aspects of the business. His previous sales, marketing and training experience give him an understanding of the changing opportunities for retail businesses, and he offers an up-to-date approach on new methods and techniques required by

today's business owners to succeed. Davis is the author of "Getting the Most Value from your CMC" and an educator at DECOR Expo Atlanta. To contact Davis or to purchase his book, visit [www.jared-davis.com](http://www.jared-davis.com).