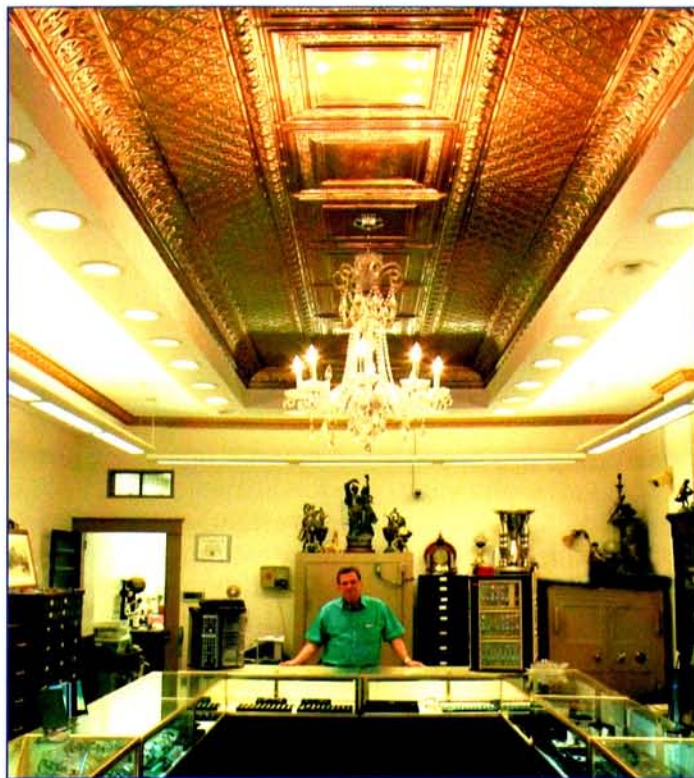


Taking Smart Risks Produces Growth

Growing the Business at Cleves and Lonnemann Jewelers

Charlie Cleves will be the first to admit that he's a risk-taker, and that he comes from a long line of risk-takers. Charlie's business was started by his grandfather, Edgar Cleves Sr., along with Joe Lonnemann during the Depression. Edgar Cleves was a jewelry and clock repairman and Lonnemann was a watchmaker for a large company. Both had been laid off due to the Depression. Just when they figured things couldn't get any worse, they took a chance and opened their own store in Bellevue, Kentucky. The store's business took off and grew through several generations of the Cleves family.

In 1989 Charlie and his wife, Mary Lynn, bought the store from the family. Just as his grandfather took



The Cleves and Lonnemann shop in Bellevue, Kentucky.

a risk in tough economic times, so did Charlie and Mary Lynn Cleves when they decided to change the way they were doing business. At that time, the store was performing quite a bit of difficult sub-contracting work for other jewelers. They felt as if they were not being recognized for their expertise.

"Finally we told ourselves, 'We're not charging enough and we're getting no credit for our work,'" said Cleves. "We have to change the way we do things." So Charlie and Mary Lynn sat down and made a list of things they wanted to change. They knew remodeling the store had to be first on the list. Enhancing their luxury watch business came next.

Old Becomes New Again

The first thing they did was remodel the interior of the store. The challenge was to upgrade technology while preserving its historic charm. They installed a dramatic replica of an historic ceiling treatment and continued to remodel the rest of the store.

The plan was to bring an upscale image to the business. Cleves put in several new floor showcases to modernize the functionality. "Next, we reconfigured the workroom to meet industry standards," Cleves said. Lamps hanging from the ceiling were taken down. All walls were made white, floor seams were welded, open bookshelves were eliminated and many other corrections were made.

Equipment Upgrades

Installing the proper equipment with updated technology was key to their efficiency and helped spur growth. The company already had good basic equipment and began to add more to improve their facility. A new timing machine suggested by a luxury watch brand proved to be a good investment. "The investment in this one machine saved us a significant amount of time and enabled us to increase the number of jobs we could handle," Cleves commented.

They also moved the polishing machine and installed a separate air handling system in the polishing room to control dust. Every little thing they did improved the business. What Cleves didn't realize at first was how much these improvements would help his business overall. "The changes we made to meet current industry standards turned out to be the best thing we ever did for business growth," Cleves added.

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Promoting the New Image

That year, Cleves also discontinued their sub-contracting work for jewelers, which was a major business move. To replace that business, Cleves decided to try television advertising. It was 2003 and he contacted the local cable television company to discuss a media plan. They began by running \$2,000 in advertising for the Christmas season only. Their business spiked. The next year, Cleves increased the Christmas advertising budget to \$3,000. "Everything went up," he said. "Recognition went up. Our image improved. Our business grew. The TV commercials really worked for us."



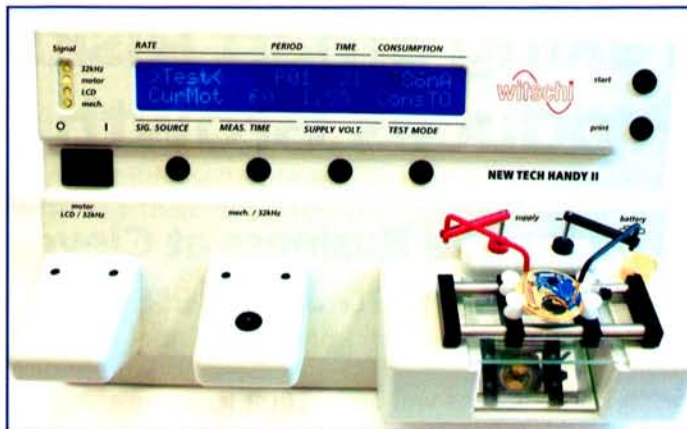
Cleves and Lonnemann also perform jewelry repair.

The local cable company then proposed a deal for Cleves to try \$1,000 of commercials per month for a year. The cable company offered to tear up the contract any time Cleves felt it wasn't worth it. After about four months of running steady cable TV commercials, Cleves saw another uptick in business.

After committing to steady cable television advertising, Cleves and Lonnemann Jewelers showed an increase of about 15% in overall revenue. Year two of the TV campaign resulted in an additional increase of 20% over the first year. In the third year, business went up 50%.

Growth seemed to occur at every turn. Cleves doubled the amount for the fourth year. Once again, the business grew and increased another 50% over the previous year. Sold by four years of growth, Cleves upped the ante to \$3,000 a month in television commercial advertising.

Five years had passed since Cleves first took a risk and invested in television commercials. They had also



Shop equipment for testing the accuracy, current and components on quartz watches.

dramatically changed the way they do business in many other areas. But the risk-taker in Charlie Cleves was not done yet. Despite measurable business growth and successful commercials on cable TV, he made another change. "We switched to a major network channel the following year and increased their television budget slightly." They saw business go up again. And now—in August 2011—they've surpassed 2010's year-end figures.

Cleves & Lonnemann Jewelers

- *Cincinnati Business Courier* "Fast 55" Finalists, November 2009
- Northern Kentucky Chamber of Commerce "Emerging 30" Award winner, October 2007 and October 2009
- Northern Kentucky Chamber of Commerce Small Business "SUCCESS" Award winner, June 2007

Controlling the Growth

Television advertising was so effective that Cleves had to scale back. "We became so busy, we cut off all TV commercials after last Christmas," he said. The shop was taking in more than the staff of six full-time employees could handle. But despite his effort to control growth, business continued to increase.

Charlie works nearly every night. "I work on watches at night when it's quiet," he says. If the phone rings he ignores it to concentrate on his backlog. Still, he

taking smart risks produces growth



Equipment to measure the accuracy, amplitude and beat of mechanical watches.

believes he will resume the TV ad schedule at Christmastime in 2012.

Currently, Cleves and Lonnemann Jewelers has restricted their business to walk-in customers only. They do not solicit work on their website and do not accept work by mail. Several customers, in fact, have driven hundreds of miles to get to the Cleves and Lonnemann store

to discuss their repair needs in person.

The obvious answer to handle the workload is to add more staff and another bench, but according to Charlie, it's not that easy. "There's no more room. We're locked up." Finding trained people is another challenge. Over the last dozen years, he's hired and trained four different people. Once they learn just enough to get by, they sometimes leave for another shop or to start their own business. However, Cleves and Lonnemann Jewelers has considered purchasing the building next door to create more room, but discussions have not yet concluded.

Education

Education was always important in the Cleves family. Charlie took an accelerated college program that enabled him to graduate college with a math degree at the age of 19. It was a chance meeting with the owner of an antique clock collection that launched his interest in the business. Even while working to build the store, Cleves took courses in watchmaking, diamond setting, gemology and the goldsmith trade.

Three years ago, Charlie earned his CMW21. "In hindsight, I realize certification is really important," Cleves reflects, "I should have done it sooner." Today, his son Michael, the fourth generation of Cleves, is working toward his certification.

Many good things seem to be happening since Cleves added certifications, remodeled the store, modernized the equipment and began TV advertising. Today, they can sell \$50,000 engagement rings because they've earned that kind of business over the years.

"You've got to keep pushing the envelope or you don't get anywhere," Cleves says, "so I've been willing to try a lot of things."

Charles Cleves, Cleves and Lonnemann Jewelers.

The Addition of the Gold and Silver Trade

Like many watch and jewelry shops today, Cleves buys gold and silver. The network television station which Cleves and Lonnemann Jewelers has worked with in the pasts wanted to do a news report about the best way to sell gold and silver. They asked Cleves if they could film at their shop. After the news report, customer traffic increased one-and-a-half times!

Charlie Cleves has seen things that work, and things that don't. If a business concept doesn't work he tries something else. "You've got to keep pushing the envelope or you don't get anywhere," he says, "so I've been willing to try a lot of things." When customers walk into Cleves and Lonnemann Jewelers today, they'll find a broad range of high-quality services and products. What they'll really find, however, is a vibrant watch repair and jewelry business with dedicated employees alongside the Ohio River in Northern Kentucky. ♦



Charlie Cleves at his workbench.