



I'll Do It For Cost... If I Can Figure Out What That Is!

One of my faithful readers (at least now I know I have one) sent me a good question: How do you deal with employee purchases? In most retail businesses it's fairly simple, since the merchandise is already made and you know what your costs are. Anyone in the frame business knows that it is anything but.

There are many questions, such as: What if they fit the frame on their own time? Is using the mounting press "free"? Is there any overall scrap factor you figure in? What if they do their framing with left over pieces that would have been thrown out? What if the order is for their mother? Their mother-in-law? Their mother-in-law's sister?

Let's start with determining why we give discounts. Owners give discounts because making money is a group effort and we would like framing to be a fringe benefit of working with us. In addition, it's nice if your salespeople can tell customers, "Oh, I used that frame myself." They can also enjoy what it feels like to have something framed as a personal experience.

The reality is, no discount you can come up with is perfect. Some employees will try to take advantage of whatever discount you give and use poor judgement when deciding who they give discounts to. What is particularly frustrating is that, as a business owner, you are trying to give people a nice benefit and it's galling to see them take advantage of you.

There's no "one size fits all" solution. My situation, with over 100 employees, is very different in comparison to someone with only one.

Here's what I do. (And if you think you have a better idea, you probably do. It's all in the eye of the beholder.) I give 40% off. While the profit margin is bigger than that on most things, this allows for freight,

breakage, quality control... I might not want to make money on my employee purchases, but I don't want to lose any either.

As far as labor, if they are qualified to work on a machine, they can, but it must be on their own time and during regular business hours. They must be punched out and a manager must sign off on it.

Scraps are a dangerous territory for two reasons. One: was it scrap, or was it "made into" scrap? Two: who gets first crack at the scrap? This is where it makes a huge difference if you have two or 100 employees. You'll have to figure it out. I know at my size I can't afford to let employees take home scrap because of a lack of control. The truth is, if it's good enough for them, it's probably good enough for customers.

In our case, our sales hours are longer than our production hours, so there is ample time for people to do their own work. For smaller shops, those hours are often the same. If your employees are to do it on their own time, you need to be crystal clear about what that time is. If a time clock is used, they should be punched out. If you don't, I suggest they make a notation of whatever time card they use to note that they are "officially" not working.

I also allow a 20% discount to relatives and 10% to friends. This reduces the incentive to give it out. Some people have had success with employee framing nights, which sound like they they make sense.

Whatever you do probably won't make a big difference. Remember, the whole idea is to offer employees a fringe benefit. Hopefully, we have such good employees that we don't begrudge them if they give their best friend the "relative" discount instead.

Thank you , A.L., for sharing your pain!

by Jay Goltz

GOLTZ ON BUSINESS