

Newsletter December 2007

Albuquerque, New Mexico

Some of you have asked questions about our policy of giving performance bonuses for the employees. "Why should we pay extra when they are already being paid to do their job?" "How do you come up with how much to pay them?" "Does it really help them work better?"

Before I started the performance bonuses our payroll was running between \$4,500 to \$5,300 every two weeks. (not including our own salaries). At the time our gross sales were averaging around \$50,000 per month in gross sales. We had between 40 and 50 trade-ins most days and we were having difficulty keeping up with the processing. We started offering a bonus if we could reach \$60,000 per month. I explained that we would need to have the trade-ins in and out on the floor quickly if this was going to happen. Now the monthly goal for bonus amounts is \$70,000 per month. There is no real formula for how much I use for the bonuses, but generally it is around 3 percent of gross sales. I up the bonus distribution if the sales were much higher (\$75,000 or better) or if the payroll for the month was particularly low for the month, because in both cases the employees were working extra hard. Currently, I am dividing up \$2,000 to \$3,000 per month at the current level of business. Each employee is rewarded for the number of hours they worked during the month. A manager would receive the same bonus as a new worker if they worked the same number of hours. For most months they both would receive about \$2. an hour extra for each hour they worked that month. Does this sound impossibly high? Michelle also used this system. Michelle would divide \$600 to \$900 on gross sales of \$30,000 or better. That was also about 2% to 3% of her gross sales. Her bonus amounts ran from about \$50 to \$100 per worker, mine run between \$160 and \$320 per person.

Did a bonus really save money? Do the girls really work harder? **YOU BET!!!** Our monthly payroll (not counting owners) is now below \$4,500 per pay period even with higher sales. The resulting payroll has dropped from about 20% of sales down to an average of 12% of sales. Michelle's payroll went from about 12% to 10% of sales. Michelle's workers often ask during the month, "How close are we?" My employees take it personally when another worker is not pulling their weight. They know how important it is to get the items processed as quickly as possible. Both Michelle and I are very open with our employees about where we are during the month in sales, what special expenses we might have coming up, and what we need to do to keep expenses down and sales up. My employees have a great deal to say about who stays employed and which employees need to go. Since they have a vested interest in how the store runs they also help decide whom to hire. They definitely let me know if someone is doing something they shouldn't be doing, and they take a great deal of interest in training and including new hard-working employees into the team. Because the bonus is based on hours worked, the employees have an interest in not over hiring. Now we rarely have processing

backlogged more than a day or so. I seldom, if ever, take work home or pay for off-site tagging. Trade-ins are taken in quickly, correctly and while the customers wait. To be honest, I feel much more comfortable about working less knowing the store is in the hands of employees who care about what is happening. Of course, no one ever runs the store the way you would, so it is important always to pay attention to what is going on in your own store, but you want to make it worthwhile for your employees to put in that extra effort instead of just “clocking in and out”.

Enclosed is a sampler CD from Putumayo Kids World Music. We have been selling a variety of these CD's for about six weeks now. We play them over our CD system and we have sold nearly 100 of them already. My favorites include New Orleans kids, Latin Playground, French Playground and African Playground. Take some time to enjoy this CD. The actual CDs come with some history about the sound, what some of the lines mean, and about the artist. They are not condescending kids songs, they are more like folk songs and good music that is appropriate for kids and fun for adults. The company offers great terms (60 days before you pay them. I use my AMEX card and get sky miles and an extra 30 days before I actually pay them), a free wooden display racking, trade back options, and free shipping for minimum orders. Each CD is \$7.99 our cost, recommended sale price is \$14.99 (I sell mine for \$11.99 each because I want to move them quickly into the hands of the kids). Ava is our representative, her number is 212 625 1400. I'm a fan!