

Retail Business Success Clinic

Part 1 of 4: Production

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During the next few months we will use this column to address some of the basics that all new members to this industry (and some old-timers) should consider in making your operation more profitable and competitive. We will address production in this issue, followed by marketing, management and finances in upcoming issues.

Those of you just beginning, with one to two years in the industry, are really in an enviable position. You don't yet have a lot of bad habits, dead inventory or other baggage that comes with a business that has been around for awhile. Don't worry, you'll soon have your share! But perhaps we can help you to slow the progression of those less desirable side effects of business ownership.

The first thing you have to ask yourself about this vocation is, "Do I simply want a job or am I trying to grow a business?" If you're simply looking for a way to make a few bucks, then I respectfully request that you reconsider your involvement. Inevitably, you will only hurt the industry that many of us are trying to develop into one with more professionalism and respect. If, however, you truly want to grow your business, enhance your bottom line and create more opportunity for yourself and your staff, then let's get started!

First, consider what you are really selling. Most of us sell plaques, trophies, engraving, etched glass and other broad categories of items. But that's only the tangible part of what we sell. We sell recognition. We sell "warm fuzzies." To quote former ARA President Bill Townsend, "We make the moment of recognition last a lifetime."

What we really sell is feelings. It's very important that we never lose sight of that. An award that is late or produced with poor quality will tarnish a special moment in someone's life forever. This is one vocation where it really matters if the job's done right!

Since you sell products to make a profit, as well as to create those great feelings, it is obvious that the better, more defined and organized your production process is, the higher your profits can be. ARA membership can really benefit you in these areas. ARA's trade shows offer many opportunities to view the latest equipment, share the latest production tips, and perhaps most importantly, share ideas and "war stories" with other dealers like yourself. You'll find helpful ideas from your peers and outside experts in *Recognition Review* articles, too.

To get you thinking about how to improve your production process and enhance your quality and profitability, here are a few proven ideas to start with.

Get Organized

To provide a quality product while maintaining and improving profitability, your first step is to organize your process. The way work flows through your shop can make a huge difference in your ability to work efficiently.

Pay careful attention to the steps you have to take to produce your next set of trophies. Do you have to walk all over the place to gather the pieces you need? Do you have to go all the way across the shop to answer the phone? If that is the case, look for

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some simple ways to reduce that wasted time. The solution may be as simple as an extension phone closer to the workbench.

I also recommend that you keep a working inventory of basic parts within close reach. We keep one box of various sizes of marble at each workbench in our operation, so the assembler doesn't have to walk away from his station to get one or two pieces. We do the same with basic hardware, keeping a constant supply of hex nuts, eagle trim, ferrules, etc. within easy reach. You may also want to keep a complete set of tools for each worker at each workbench—and threaten dire consequences if they are removed!

Spoilage hurts profitability, so take steps to protect your works in progress. Pad or carpet the work area on your workbench to reduce the number of scratches and chips that can occur from handling during the assembly process. Vacuum the workbench at the end of each day to pick up marble chips, metal shavings or other particles that might damage an otherwise perfect piece. To improve safety as well as efficiency, mount an electrical strip on the workbench. With power close at hand, you won't have extension cords on the floor that create a risk of tripping. If you are unfortunate enough to have an OSHA, Worker's Comp or Fire Department inspection, they won't look kindly on extension cords strung out as safety hazards!

Make the Best Use of Equipment

The lifeblood of your company is your equipment, but maintenance is often overlooked. My equipment reminds

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me of the Energizer® bunny—it keeps on going and going. Because it's so dependable, I sometimes take it for granted—until something does break. Then, it's usually a panic to get it back up and running without losing too much production time. That scenario can be avoided if a routine maintenance schedule is established. Talk to your equipment manufacturer and be sure you understand the requirements to keep your investments in top shape. Take the time now to service your equipment before you find yourself in a pinch.

Now ask yourself, are you using that well-maintained equipment to its fullest capability? Our equipment can do more than you might imagine. Laser printers, for example, can be used for producing sublimation transfers as well as accounting reports. Another example is your engraving machine. Before we got a laser, we would sometimes engrave simple designs or rout out recesses for medal-

lions in our walnut plaques. All we needed was a different type of cutter, not a new machine. Ask other dealers what other uses they may find for equipment you own.

Are you keeping up with new equipment options that can enhance productivity? At an ARA trade show about five or six years ago, I discovered a way to reduce my engraving time by up to 84 percent on some jobs. The device that achieved those remarkable savings is now almost commonplace with most engravers: the diamond burnisher. This then-new cutter allowed my engraver to engrave with single passes (we were doing everything with two passes), even on aluminum. With the varying sizes of tips available, we sometimes were able to reduce a layout from a three-line font to a single-line font. And the results were beautiful! We saved time (translation: saved money), our products looked better and my engraver was able to do more work in the same amount of time (with more money saved).

Set Standards

As you organize your operation, establish certain standards. Even if you are the engraver, accountant, sales clerk and janitor, you have certain ways that you do things. As you grow and hire employees, they will do things their way. Will your customers be happy with the difference? Even if they are, will the look of your product change every time your staff does? For example, what is the size of the engraving plate you use for a 9x12-inch plaque? Does everyone on your staff use the same size? You have to establish standards in your products, so that they remain consistent as your company and your staff grow. By simply writing down basic specifications, you begin creating standards that everyone can learn and adhere to.

One important standard involves some basic layout protocol. For example, how are award recipient names treated in the layout of plaques? Most engravers will make the recipient's name the largest font on the award. But what comes next in size? Do you have a standard layout rule for this sort of thing? We make the recipient's name the largest, followed next by the giver, the text, and lastly, the salutations

(presented to, presented by, etc.), Decide, and write it down.

Set standards for making decisions about font selection and size. We once had a plaque rejected by a customer because our engraver decided to get creative: He used nine (yes, nine!) different fonts on one plaque, which had 12 lines of engraving! We redid the piece at no charge. And we established rules in font selection. After that episode, we decided that we would not use more than three fonts on any layout. We haven't had an award rejected for that reason since.

Establish the standard that white space is good. Too often, the engraver feels compelled to use every bit of space on the plate. Don't fall into that trap.

In addition to providing consistency and quality in your product, standards also give you an objective measuring stick to gauge performance and reasons to review your processes. In the long run, standards, even in the smallest details, will make a big difference in your ability to increase your profitability.

Seek Shortcuts to Productivity

Time is money, and inefficiencies in the assembly process are real time-killers. It helps to keep basic parts within easy reach, but this may not be enough. Find shortcuts that save time without compromising product quality. For instance, we have our trophy assemblers screw all the ferrules onto the figures first. Then they add the rods. Next comes the actual assembly of the trophy. It may sound overly simple and obvious, but if you review your current process, you may find this is a better way.

Buy Smart

The components you use and how you buy them can play a huge role in your profitability. Many dealers just getting started will buy only the parts they need to do a particular job. While the total dollar outlay may be smaller using that strategy, the cost per unit will almost always be higher. I encourage you to buy in as large a quantity as you can afford, as case prices are always less than broken-case prices. You also will save tremendously on shipping costs, especially if you have a C.O.D. account with the vendor from whom you're buying a large quantity.

UPS C.O.D. charges add about \$5.00 to the shipping costs, so if you're buying 10 baseball figures, that 69-cent piece just went up to at least \$1.19 in cost. When buying more at one time, you not only save money, but you also begin creating an inventory that helps you fill those last-minute orders. Your profit margin on those orders will also be higher because you had the parts on hand and you paid a lower average cost per unit for them.

Use Formal Work Orders

Many dealers simply scribble all the notes they need to fill a customer's order on any plain piece of paper, and (hopefully) file it away until the customer returns to place the order again. Too often, the previous notes are hard or impossible to translate once they are no longer fresh.

A formal work order can help to eliminate this problem. Work orders, when used correctly, can give even a new employee all the information needed to duplicate an order from last month, last year or even several years ago. Make it a priority to put into place some kind of formal, organized work order system that will give you and your employees accurate, easy-to-use directions from the customer.

Even if you do virtually everything at your shop, a formal work order is still a necessary tool for your growth. After all, your goal is to grow so that one day, you won't be doing everything yourself. And those who come behind you need the guidance and the tools to do the job as well (or better) than you did. So regardless of the size of your operation today, don't write off this idea as one you don't need for tomorrow.

Start now to examine your operation and look for any inefficiency that can be improved. Look for that process or procedure you can standardize to improve your communication and overall product quality. And don't be afraid to change your methods or your system. The things you change today may pay huge dividends tomorrow! ▲

ARA member Sam Varn owns Tallahassee Engraving & Awards. He is a past president of ARA and a frequent seminar presenter. He will be teaching Building a Better Award and Get Online with ARA at the 1998 International Awards Market in Las Vegas.