

TEXAS

the publication of the
Texas Jewelers Association

Fall 2010

Jeweler

EMPLOYEE Fraud?

*Don't Ignore
the Possibility*

BONUSES *for Store Sales* ACHIEVEMENT



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INSIDE THIS ISSUE

Fall
2010



FEATURES

Bonuses for Store Sales Achievement 6

David Geller continues the conversation about how to reward sales staff for superior performance, in addition to talking about compensation for vacation time and dealing with prima donnas.

Turquoise 9

All you needed to know about an ancient gem with modern panache.

Fewer Affluents Purchased Personal Luxury in 2009, ... 10 but Those Who Purchased Spent More

According to a report from Unity Marketing, the news with affluent purchasers is not all dour.

Don't Ignore the Possibility of Employee Fraud 14

In an uncertain economy, the threat that employees may steal from employers becomes more and more real.

DEPARTMENTS

President's Message. 4

Board of Directors. 4

Newsbriefs 12

Advertising Index 14

ON THE COVER: All cover pieces are the work of Austin jeweler Steven Kriechbaum (www.skriechbaum.com). The (top) pendant is carved Kingman turquoise, sterling silver and 14K gold. The Byzantine style ring (left) has Chinese turquoise and is set in sterling and accented by 14K rose gold. The second ring (right) is Kingman Nugget drilled with a diamond set in a tube. The ring is sterling with accents of 14K.



President's Message

Mark Priest

Start Holiday Planning Now

So much to do and so little time. A very cliché phrase we as jewelers know all too well. If it's not one thing, it's another. And the reality is there will always be so little time and there will always be something else.

Many of our TJA members are independent jewelers. Even if you are not on that side of the counter but are involved in the jewelry business, keeping track of that business can be very demanding.

As fall emerges, so does the need for a plan. It doesn't have to be complicated. It could simply be a couple of goals and some ideas of how to achieve those goals. One thing is for sure, without a plan, you are not going to have any idea where your business is going.

So as you thumb through this issue of

Texas Jeweler magazine, be sure and ask yourself "what's in it for me?" And what does this have to do with a business plan? Well, think about it. It only takes one or two ideas at the right time and place to boost business. Those potential ideas are in your hand, right here, right now.

And if you keep the idea of a plan in mind, you might just find yourself as bit more positive, a bit less worried and a WHOLE lot nicer to be around.

Looking ahead is one way to navigate through the minefield of uh-ohs and, instead, cultivate more yee-haws.

As the holiday season approaches, we all will realize, yet again, that back in the late summer and early fall we really did have some time on our hands. And so is the fall issue of *Texas Jeweler* magazine (or you would not be reading this). Take a good look. Read the articles.

Get some ideas. Make a plan.

Ask other jewelers. Check out the TJA website.

Call one of your TJA board members (all of our names and contact info is available either in this magazine or on the website) and ask questions.

Wishing everyone and safe and joyous season!

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www.texasjewelers.org

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Bonuses for Store Sales Achievement

BY DAVID GELLER



staff based upon how many hours they work. Ten percent may seem like a lot, but it's not 10% of the \$115,000 but of the \$15,000.

There is another way to compensate the whole staff that I got from an IJO member years ago. It was a neat idea and he said it was the reason for his 35% growth in those years. Here is a description of his plan:

1. If we reached last year's sales numbers for the month, everyone in the company received a \$25 bonus this month.
2. If we exceeded last year's month even by a dollar everyone got \$50.
3. If next month we again exceeded last year's month, even by a dollar, then everyone got \$100.
4. If next month we again exceeded last year's month everyone received \$150. Each month exceeded this month's bonus was last month's amount plus another 50 bucks.

5. If next month we did not exceed last year's month, then we started all over again with just a \$25 bonus.

I asked him about the possibility of large pay outs and he said "that's why we grew at 35% last year!"

How to figure vacation and sick time in with commissions and bonuses

This is relatively easy. Your sales staff is given vacation, usually after one year of service. Some stores don't pay for sick time. I think this is unfair; we all get sick. You might think the staff will call in sick when they aren't, but we're dealing with adults.

We decided to drop our sick policy and replace sick leave with "personal leave". This way they didn't need to "prove" they were sick and many times they need time

2. If the store reaches its sales goal, every sales person gets to pick a prize/gift from a wall of prizes. It could be a paid day off, someone else pulls and puts up your cases for the week, dinner for two, a manicure or a massage.

3. If the store exceeds the goal by at least \$100, then the sales staff gets 5% of the exceeded sales number split up between the staff based upon the number of hours worked. So if the store reaches sales of \$115,000 they staff would split up 5% of the extra \$15,000 or \$750 split amongst the sales staff.

All of the Staff

Reaching sales goals is a team work function. You can't reach goals if the office staff, manager and jewelers aren't doing their fair share, as well. You could simply take the third idea mentioned and pay 10% of the exceeded number to the whole

off to go to a dentist, doctor or go to a kid's soccer game. Being there are 12 months in a year, we gave them six days a year personal time off. They started to earn personal time one-half a day per month. That's how we came up with six days rather than a week (five days).

We only asked the staff to get approval first for a personal day that they knew in advance they'd need, like a doctor's appointment or kid's game. If they were sick we asked them to call us as early as possible in the morning to give us a heads up to help ourselves plan a day without them. Trust your employees and you'd be surprised how mature they act.

For their pay on commission plan for vacation and personal time we figured their pay this way:

Assuming we had six months of pay history behind us with commission, we took their total pay and divided it by the number of pay periods and came up with an average. This smoothed out the high and low pay periods. So if their average weekly pay for the past six months was \$750 a week, that's the number we used for:

1. Personal pay
2. Vacation pay
3. Jury duty
4. Holiday pay

If we had just started a commission system and had little history, then we used their old pay history, all just plain old hourly pay, and used that average weekly pay as their vacation/personal, etc pay. Once we reached six months of payroll we'd use the past six months as history.

After a year of being on a commission plan we'd use the W-2 and divide it by 52 weeks to get their average weekly vacation/personal pay.

How to set goals and stretch goals while figuring in the owner as a sales person

When figuring sales goals the owner must be taken out of the numbers. Let's use a store doing \$800,000 a year in sales. Looking at past sales numbers we find the owner traditional sells 40 percent of all sales. So 40 percent of \$800,000 means the store owner sells \$320,000, leaving \$480,000 for the sales staff.

Most assumptions should be based upon the owner continuing to be a strong force on the sales floor. If you want to take yourself off of the sales floor you must realize usually you're taking the best sales person off of the floor. Can you afford to do that? Not if the staff is ill equipped and poorly trained.

Now we have three sales numbers on a sheet of paper:

1. The store will do \$800,000 for the year.
2. The store owner will continue to carry 40 percent of the sales, which is \$320,000.
3. The remaining staff will carry the burden of selling the remaining \$480,000.

Now we must divide the \$480,000 in sales evenly amongst the selling staff. We do this by dividing sales up not by ability but by "their fair share".

This store has three sales staff members. See the chart to see how many hours a week they work and what percentage of the week that is.

Just divide each sales person's hours they work by the total hours worked by everyone and you'll find their percentage.

These percentages are how we decide how much they must sell for their fair share.

After taking away the 40 percent that we believe the owner should sell we might have a remaining number of \$100,000 for the staff to sell. Let's assume our sales goal is \$100,000 for the month for them. See the chart for how we will split it up.

So now we have the store's total sales goal, took out an amount that we know the owner will probably sell and divided up the remaining sales based upon "fair share". If you start dividing it up based up who's a better sales person you'll be putting greater pressure on the good staff and believe it or

not less pressure on the weaker sales staff.

If Mary is your best sales person and you think she should do \$70,000 then that leaves only \$30,000 to be split amongst Sally and Brenda. So if you split that up based upon Sally is full time and Brenda is part time, then when you were figuring Sally to sell \$20,000 and Brenda \$10,000 now you'll have numbers like:

Sally to sell	\$20,000
Brenda to sell	\$10,000

Hey, in your store a high school kid could sell that amount. So keep the sales goals based upon hours worked as a percentage of the goal: Fair Share. If indeed Mary is good, she'll surpass her goal easily and if everyone does their goal the store will meet or exceed its goal. Give Mary some pushing along the way "Come on Sally, I know you can double your goal! If you do, it's dinner for two at Ruth's Chris Steak House! Let's go!"

Other ways to achieve your goals without just handing out money

Money is the biggest motivator and should be used. But sometimes money might have to be replaced with what the person might want more than money. What could that be? Let me tell you a short story of a salesman who came and worked for me and eventually bought my store.

About 15 years ago Jamie came to work for me right after we started the 10 percent commission. The store he worked for in another state sold lower end merchandise and did few repairs. But at age 27 he was energetic, personable and soon proved to be a great sales person. His past job was paying him \$7 an hour and he lived

NAME	HOURS WORKED	PERCENT OF TOTAL HOURS	SALES GOALS, BASED UPON SAME PERCENTAGE OF MONTH'S \$100,000 SALES QUOTA
Mary	40	40%	\$40,000
Sally	40	40%	\$40,000
Brenda	20	20%	\$20,000
Total	100	100%	\$100,000

Editor's Note: David Geller's article in the summer issue of Texas Jeweler began the conversation about compensation plans for the sales staff and people who assist the sales staff. Here we continue that conversation.

Many stores will pay the staff if the whole store achieves its sales figures. Every sales person doesn't have to be an A+ top star for the store to achieve its numbers. Everybody doing their share can make the store achieve sales goals.

In addition to any sales commission plan you adopt you can still award the staff money when the store achieves its numbers. I'll give you some ideas for the selling staff, as well as other non selling employees. Let's assume the store reaches its goal of \$100,000 for the month and then exceeds its goal:

1. If the store reaches its sales goal, every sales person gets a \$200 bonus.

on it. Within a year or so he was making \$30,000 or more and within five years he was earning over \$50,000. He had bought a new car and as a single guy bought his own home. Life was good.

I tried every way possible to get him to exceed \$500,000 in sales for the year, but money didn't motivate him anymore. For many people who are on commission and find it fairly easy to get the pay they want, commission soon turns out to NOT be a motivator, it becomes an expected event every week.

Jamie was an active adult soccer player and he was good at it. He had always dreamed of going to see the World Cup. So in this year I tried something new:

"Jamie, if you exceed \$500,000 in sales this year, I'll send you, all expenses paid, to Brazil for next year's World Cup."

Well that fired him up like nobody's business! We were doing about \$1.6-1.7 million in sales then and if Jamie would make his number the trip would cost me about \$2,000 in airline and hotel fees. Would you pay a \$2,000 bonus to get someone to do \$500,000? Chump change.

In a soccer match in June Jamie tore his Achilles heel and was out of work for several weeks and sadly didn't make his numbers. Without the injury I knew he was on track to make it.

So it doesn't have to be money. It could easily be:

- days off
- manicure
- massage
- weekend for two
- cruise
- Disney trip
- dinner at a fine restaurant
- get out of doing store chores for a week
- dinner with the boss
- electronics
- rent an exotic car for them for a week (about \$500 rental fee)

A few years ago I asked a client if he'd like to have a great Christmas season for \$800 and of course he said YES!

So I told him to go out and buy a big screen HDTV for about \$800 and to set it up in their kitchen and turn it on. Put a sign on the TV that says: "The person with the single highest sales for December gets this TV!" They had their best Christmas ever, all for \$800.

Be creative, there are plenty of ways to reward the staff. Just ask them what they'd like.

How to handle prima donnas

Every store has one: The Lord's gift to

mankind! This person thinks the store couldn't be without them. They give smart alecky answers, don't do their chores, come in late, leave early and of course "Hey, that was my customer!"

First off, no sales person owns a customer. They belong to the store.

You'll find that many times these are top sales people but it's completely unfair to give them leeway that the other staff members don't have. It ruins the morale of the whole company. Before you let it get out of hand, set down written rules of what is expected of everyone. You don't let your children act like wild beasts in a grocery store and you shouldn't allow employees to take advantage of you either.

Everyone should be wonderful to work with, but if it has to come down to it you should be GIVING out ulcers, not receiving one!

So written rules are a must, as are written employee evaluations and written warnings. The first time you should give an oral warning to an employee in the privacy of your office and notate that this occurred in their employee file.

On the second occurrence of their misdeed, bring them into the office, write up on their warning notice (Office Depot and other stores already have these forms. You can also find them online.) Many times just having them sign their name to a piece of paper is enough to straighten them out.

It's really hard to fire an employee, but you'll find many times that despite their sales achievements, the loss of a prima donna increases company morale and everyone pitches in to take up the slack.

I did have my second best sales person always coming to work 10-15 minutes late. She also lived the closest to the store! I counseled her and finally wrote her up and told her the very next time she showed up for work past 9 a.m. (there is someone there at 8:30 every morning) that she would be sent home without pay.

Wouldn't you know it, the next morning she was seven minutes later. Through the glass door (with all employees looking) I told her to enjoy her day off without pay. Lateness was never a big problem with her any more. What's more, the rest of the staff knew I meant business.

TURQUOISE

An Ancient Gem With Modern Panache



that turquoise attached to a bow or firearm increased the accuracy of a hunter or warrior.

The gem's color ranges from light to medium blue or greenish-blue, and is usually opaque. Spiderweb turquoise – a popular variation – displays veins of matrix (its host rock) in web-like patterns. Persian (Iranian) turquoise is considered the finest quality and also the most expensive, and it exhibits an intense light to medium blue, typically with no matrix. It has the ability to take on a glossy polish. Other turquoise varieties include American, Mexican, Egyptian, and Chinese are a significant source today.

Large turquoise stones are common; however the gem is also plentiful in a wide range of sizes, and is often used for beads, cabochons, carvings, and inlays. Trendy fashion designers have more recently sewn it into clothing and bejeweled purses with it. Turquoise's popularity has varied throughout time. Currently it is a hot item not only for Hollywood divas, but is also universally liked because of its commercial abundance. Its most enduring appeal remains in the American Southwest and among those who are captivated by that region's mystery and romance, as well as by its blue skies, reminiscent of turquoise's color.

Turquoise is typically enhanced before it reaches the market, and special care should be taken to maintain its vitality. For example, gem traders commonly impregnate the gem with plastic or wax to improve the color and durability, or dye it with liquid black shoe polish in a pattern imitating the matrix web. It is recommended to avoid heat and acetone-like solvents. Perspiration, skin oils, cosmetics, and other chemicals may turn a blue turquoise to green. When purchasing the gem, one should have a qualified jeweler verify that the stone is a natural, synthetic or a simulant.

This article is reprinted with permission from GIA.

Turquoise is one of the world's most ancient gemstones. Archaeological excavations have revealed that Egyptian royalty wore turquoise jewelry as early as 5500 B.C. Chinese artisans were carving it more than 3,000 years ago. Native American tribes have worn turquoise as a ceremonial gem and adorned their jewelry and amulets with it for thousands of years. Yet this appealing bluish gem maintains its charm, even today, as a favored accessory worldwide. Celebrities including Cher, Jennifer Lopez, Macy Gray, Jennifer Love Hewitt, and Lenny Kravitz have all been spotted wearing this timeless jewel.

Turquoise most likely first arrived in Europe around the thirteenth century from Turkish sources. Deriving its name from the French expression *Pierre tourques*, or "Turkish stone," turquoise is mined worldwide, including Egypt, China, and the U.S. Turquoise is the present-day December birthstone, and is designated as the 11th wedding anniversary gift.

The Egyptians believed that turquoise possessed magical properties in that it could thwart misfortune and heal a variety of ailments. The national gem of Tibet, turquoise has long been considered to bestow health and good luck. The Apaches thought

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Fewer Affluents Purchased Personal Luxury in 2009, but Those Who Purchased Spent More



Affluent consumers indulged in the purchase of luxury clothing, fashion accessories, jewelry and other personal luxuries, according to the Personal Luxury Report 2010, a new report from Unity Marketing detailing how the market luxury has changed and ways marketers should respond.

"The consumer market of high-income individuals willing to pay a premium for personal luxury products dropped sharply from the levels reached in 2006, when more than half of affluents made any personal luxury purchases," said Pam Danziger, president of Unity Marketing and author of the report.

Unity's luxury surveys found that just 44 percent of affluent consumers bought any personal luxuries in 2009, down 10 percentage points from 2006, when 54 percent of affluents made any personal luxury purchases. The 2009 survey sample included 4,739 luxury affluent consumers (average income of \$220,200), representative of the 22 million affluent households in the country.

• There was a dramatic contraction of the market of affluents indulging in personal luxury in 2009. However, counter-trends are in play that are cause for optimism among luxury marketers and retailers.

Consumer trends point to fewer consumers, but those who buy spend more on luxury

"Despite lower purchase levels, the affluents who bought personal luxuries in 2009 spent nearly 50 percent more on their purchases than they did in 2008. This indicates a trend toward a smaller group of high-spending consumers that must be carefully targeted in order for marketers companies to remain healthy," Danziger explains.

Key trends in the market for personal luxuries include:

• **Luxury Automobiles:** American luxury car brands made real progress in terms of greater purchases among affluents in 2009, as Euro-brands declined in purchase.

• **Luxury Clothing & Apparel:** Department stores lost share of affluents clothing purchases, while patronage among luxury branded boutiques increased over 2008 levels. At the product level, men's clothing, including casual, business and outerwear, was a bright spot in this category.

• **Luxury Fashion Accessories:** Department stores also lost share of affluents' fashion accessories spending, while discount stores, outlet stores and warehouse clubs doubled their take in accessories spending over 2008 levels. In products, affluents were more likely to trade down to mass brands in women's shoes. As in clothing, men's accessories were a bright spot.

• **Luxury Beauty & Cosmetics:** The most important finding in beauty was

loss of share by department stores in favor of specialty personal care/cosmetics stores, such as Sephora and Ulta. While department stores still retain the #1 slot as destination leader, the specialty stores are rapidly closing the gap as measured by share of affluent shoppers' spending.

• **Luxury Wine & Spirits:** In wine & spirits, a number of items rank among personal luxuries fastest growing products as measured by increased spending during 2009, including high-end Scotch, Whiskey, Rum, Bourbon and Cognac.

• **Luxury Jewelry:** Growth in purchases of women's luxury jewelry was modest in 2009, only up 6.5 percent over 2008 levels. Men's jewelry really popped, however with spending up more than double 2008 levels. Men's jewelry now accounts for about 20 percent of the luxury consumers' jewelry expenditures, a substantial increase over the 10 percent in 2007.

• **Luxury Watches:** Affluents who bought watches greatly increased spending in 2009. All categories, men's and women's casual and dress, enjoyed growth in share of wallet.

• **Luxury Personal Electronics:** In personal electronics, laptop computers were tops, followed by cellular phones and MP3 players. Electronic specialty stores captured 40 percent share of spending.

"As these key findings show, the personal luxuries market has changed by more than just who is buying and how much they are spending," says Danziger. "Affluent consumers are also buying a different basket of personal luxury items from a different slate of distribution channels."

"It is a competitive new market for personal luxuries. Marketers must understand who their customers are, what items draw their interest, and where they wish to shop. Consumer intelligence like this report is the best first step to meeting the affluent consumer on his or her own turf."

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INOX Collection Targets Contemporary Professionals

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comfortable and light yet durable for men with an active lifestyle.

Retailers who have a market for the business class can gain great profit by adding this collection to their inventory. INOX Jewelry also offers help in marketing these pieces by providing complimenting displays and advertising material that can make retail stores stand out.

Order the collection at www.inox-us.com or by calling (866) 507-2537.

Consumers Show Surprising Resilience in July, but Outlook Still Murky According to NRF

Weary shoppers returned to stores in July as retailers were aggressively promoting back-to-school sales. Retail industry sales for July (which exclude automobiles, gas stations, and restaurants) increased 3.1 percent unadjusted year-over-year and also declined 0.2 percent seasonally adjusted month-to-month, according to the National Retail Federation.

July retail sales released today by the U.S. Commerce Department show total retail sales (which include non-general merchandise categories such as autos, gasoline stations and restaurants) increased 0.4 percent seasonally adjusted from the previous month and increased 5.4 percent unadjusted year-over-year.

"Household spending remains tepid amid concerns about economic stability," said NRF Chief Economist Jack Kleinhenz. "Current data on the economy is mixed which signals that retailers will continue planning with caution until a long-term trend can be established."

NRF's back-to-school survey, released in July, found that the average family of students in grades K-12 would spend 8.3 percent more on back-to-school this year, from \$548.72 last year to \$594.24 this year.

Back-to-school related categories saw strong year-over-year gains. Clothing and accessories stores were up a solid 4.7 percent over last July, while declining 0.7 percent from June.

Electronics and appliance stores also showed strong year-over-year gains, increasing 8.1 percent and declining 0.1 percent from last month. Furniture and home furnishing stores ticked up 0.4 percent from the same period a year ago and declined 0.3 percent from the prior month. (All monthly sales are listed as seasonally adjusted, while year-over-year sales are listed as seasonally unadjusted.)

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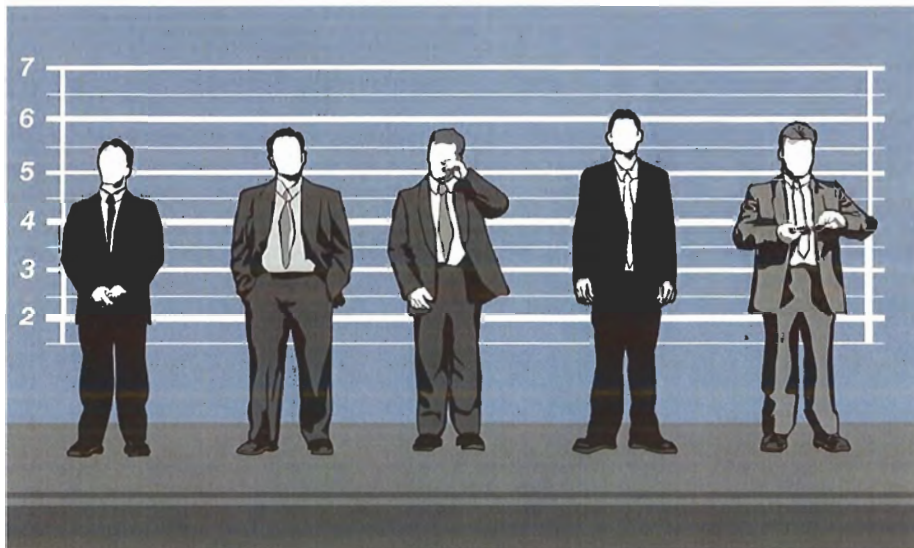


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Don't Ignore the Possibility of Employee Fraud



Did you know that most cases of employee fraud are not committed by professional criminals—but rather by good, hardworking people who, due to unexpected circumstances, feel they have no other option?

Are you overlooking the risk of employee fraud? A recent study titled “2008 Report to the Nation on Occupational Fraud and Abuse” published by the Association of Certified Fraud Examiners (ACFE) provides evidence that businesses should not ignore this threat.

Report Highlights

Here are some alarming statistics presented in the study:

- U.S. organizations lost an estimated 7 percent of their annual revenues to fraud.
- Average loss was \$175,000.
- Median loss suffered by organizations with fewer than 100 employees was \$200,000.
- Small businesses are vulnerable due to their inability to proactively detect fraud.
- Lack of adequate internal controls was the most commonly cited factor that

allowed fraud to occur.

- Occupational fraudsters were generally first-time offenders.

In an uncertain economy, the threat that employees may steal from employers becomes more and more real.

Prevention – What Can Be Done?

Here are some methods of prevention that can help stop employee fraud:

- Send a strong message from top management that dishonesty of any type will not be tolerated.
 - Provide strong internal controls that keep your finances up-to-date and can quickly help identify any fraudulent practices.
 - Tighten up hiring practices so only the best candidates make it in your company.
- Contact your local Federated representative for additional information on ways to help keep your business safe from the growing risk of employee fraud.

**“2008 Report to the Nation on Occupational Fraud and Abuse,” copyright 2008 by the Association of Certified Fraud Examiners, Inc., Austin, TX. This article was provided by Federated Insurance.*

Ad Index

Federated Insurance	www.federatedinsurance.com	Inside Back Cover
Gemvision	www.gemvision.com	12
Jewelers Mutual Insurance	www.JewelersMutual.com	11
Roseco	www.roseco.com	11
Signature Engraving Systems	www.signature-engravers.com	Back Cover
Stuller	www.stuller.com	Inside Front Cover
Tara Energy	www.TaraEnergy.com	13
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