

**Decreasing Profit Loss:  
Due to Mis-tints and Returns**

Delivered to:

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Written by:  
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July 9, 2007

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Jane Doe  
Manager Sherwin Williams  
1624 S. Duff Ave.  
Ames, IA 50010

Dear Jane:

The following is the proposal you granted permission to complete last week.

The purpose of the proposal is to suggest ways to limit profit loss due to mis-tints and returns. The proposal will show:

- proof of the existence of the problem
- the details of the problem
- specific ideas to solve it
- the costs of the solutions

The proposal will also detail the effects of the current situation if left unchanged, and also give the possible effects if the situation is corrected.

Thanks again for taking the time to review this proposal.

Sincerely,

John Doe

## **Introduction**

Founded in 1866, Sherwin Williams has become one of the largest paint manufacturers in the United States (Sherwin Williams, "About Us"). Dedicated to providing superior products to its customers, the name Sherwin Williams is synonymous with quality the world over, from Singapore to the Ames location (Sherwin Williams, "About Us").

According to an interview with Jane, the manager of the Ames location, on June 18, 2007, the Ames location is now entering its 11<sup>th</sup> year on Duff Ave. She goes on to say that the Ames store serves more than 10,000 customers per month, from individual homeowners to large organizations like Iowa State University and the Iowa Department of Transportation .

According to Jane, with just eight employees, the store does approximately \$32,000 in business per week.

Although several big-box retailers have entered the Ames market in recent years, Sherwin Williams continues to set itself apart as the choice of professional painters and do-it-yourselfers.

## **Current Situation**

Profit. This one word can make or break a company. The Ames store has grown so much in recent years that it's level of business, and profit, have been elevated to a whole new level. With more profit, comes more business, and with more business comes more negative attributes. These attributes include a larger loss of profit due to returned products and mis-tints.

The problems have been identified long before I was employed at the Ames location. Several attempts have been made to identify the source of the problem, and rectify the situation.

According to the Assistant Manager Matt in an interview on June 19, 2007, "The problem is in the wording of our return policy. It states that if a customer is unsatisfied, they may return the product for a full refund." Matt went on to say, "The problem is that we have people coming in with correctly mixed paint, that we must still return...due to our policy."

The other part of the problem lies in the tinting machine. The machine used to tint the products is nearly brand new. However, according to Jean, in an interview on June 20, 2007, the computers are more than 6 years old. With that mix of technology, any number of things could go wrong. Jean says, "A mixed signal, different code, or power surge are just a few of the potential problems that could lead to a computer generated mis-tint."

According to Jane, the Ames location loses, on average, 3% of the sales to returns and mis-tints. This may not seem to be a huge loss; however, this industry is primarily seasonal, with its main business coming in between March and November.

With any seasonal company, every cent must be saved to survive the Winter months. At a 3% loss, and based off of the total sales per week; the store loses \$960 a week. This put into labor terms, means 128 labor hours at \$7.50 per hour. That could have been 3 new full time employees, but instead it is lost money.

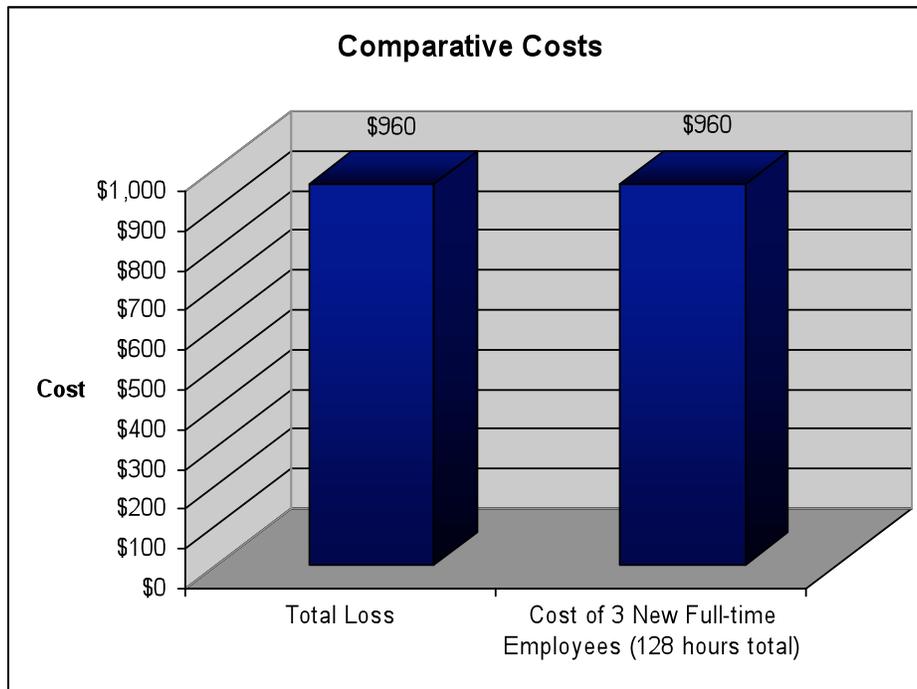


Figure 1. Comparative Costs

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### Possible Effects

If left unchanged the problem could have a catastrophic impact on the company. If the profit loss continues, the store will not be able to hire as many new employees. The old employees will be asked to fill the void, and will become angered at the massive increase in hours.

If the employees are unhappy, the service generated will not be conducive to making customers feel welcome at the store. If the customers think the service and products are no longer meeting their standards, they will go elsewhere for their products. This will lead to a larger loss for the store.

The store will become unprofitable and employees will be laid off to compensate. The extra load will be taken on by the remaining employees and the cycle will continue until corporate feels the store is no longer useful, and it is shut down.

## **Solutions**

### **New Computers**

Although the store recently received new tinting machines, the computers used to control the machines are still six years old. This gap in technology creates “lag” in the system. With lag comes error, and with error comes product mis-tints.

One solution to remedy this situation is to update the computers. Even if the software remains the same, the faster processing times will limit the amount of lag between the two machines. This means:

- Higher level of accuracy in the tinting process
- Less product loss
- More efficiency in the tinting cycle

The maker of the tinting machines recommends that the computer gap in computer age and tinter age be no greater than two years. This means that the store could buy a late model computer, possibly a floor model from a local retailer; and save more money. An average computer in that category runs about \$500 dollars for a decent monitor and computer system.

The following image shows what the tinter could look like with a new computer. You will notice that not only does it increase the productivity of the system, but also gives a aesthetic appeal to the customers. They will notice the new monitor and realize that we are using the most up-to-date technology to serve their needs.

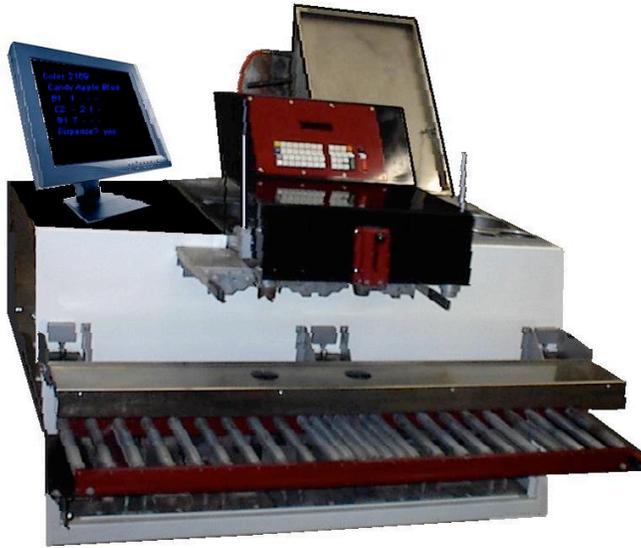


Figure 2. Updated Tinter

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### **Rewording the Return Policy**

The return policy for Sherwin Williams has not been updated since the 1980's. It still follows a satisfaction guarantee that was initiated around the 1950's. The wording leaves to many open variables and loop holes for dishonest customers.

One group of people that take advantage of this policy are known as "Gypsy Painters". They are homeless painters from the South, that travel around the country, throw low bid offers on jobs, sleep wherever they can, and take advantage of companies.

On an incident in early June of 2007, a gypsy painter came into the store to return four 5-gallon buckets of paint. He was known to have been dishonest before, and as per protocol, we had to check the paint. Using a chemical oxidation stick, I checked the paint for active chemicals used to thin out the paint. The chemical analysis came up positive for paint thinner, and an abundance of water.

We still had to return the product due to the return policy, even though approximately 4 gallons of the paint had been used, then 1 gallon had been thinned out to make it appear nothing was used.

The second part of this situation came, when the owners of the building wanted a refund due to the poor paint quality they "received from Sherwin Williams". The company sent out a team to analyze the paint and found it was not our paint being used. Now the gypsy painter is wanted for fraud.

All of this could have been avoided if the return policy had been updated to not allow the return of used goods. A legal team would be necessary to reword the policy, as it is a legally binding contract between the company and the consumer. However, I feel that this rewording is key to keeping profit loss down.

The cost of this would include the costs of the legal team, as well as the cost of printing and distributing updated policies to those in need of them.

## Training

Training is key in any business setting. At the Ames location, the training is primarily hands on and learning as you go. I feel that if the training were to be more specific to learning the equipment procedures intensively, at an early time of employment; that there would be fewer human error mis-tints.

These mis-tints are more related to custom matching a stain, where the human input in the color addition is higher. For example, if the employee were to receive training on... “ok, this is what 2/32 of red oxide tint does to this color...”, there would be more accurate matches and the profit loss due to mis-tints would be lower.

The cost of this training is extremely low, including only the hourly wage of the employee, and not having a trained employee on the floor.

In the figure below, you will see how the elements of training lead up to a “bulls-eye” with a “Well Trained Employee”.

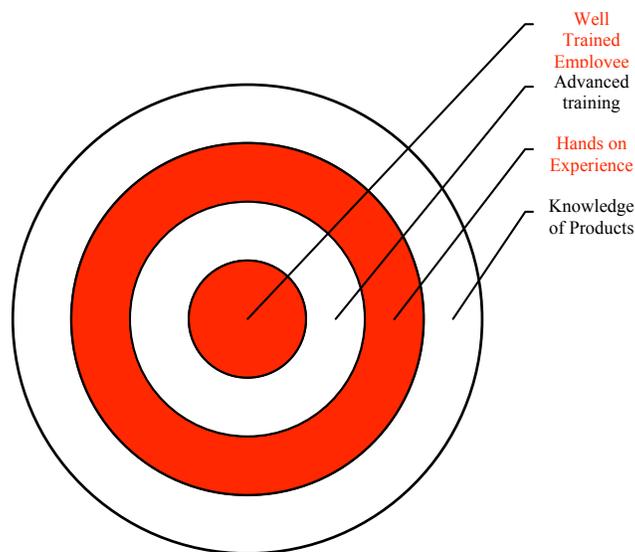


Figure 3. Training Bulls-eye

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## Benefits

The benefits from solving these situations reaches far beyond the primary benefactors. The results will yield secondary and tertiary results in a “snowball” effect. One person will tell another a good thing about the company, then they will tell another, and so on etc. By doing this you are establishing a larger customer base and setting the company up for success in the form of repeat business.

In the following chart you will see that all the benefits end with more profit. In the end, profit sustains a business. It is the most important aspect of any business other than obviously, a non-profit institution.

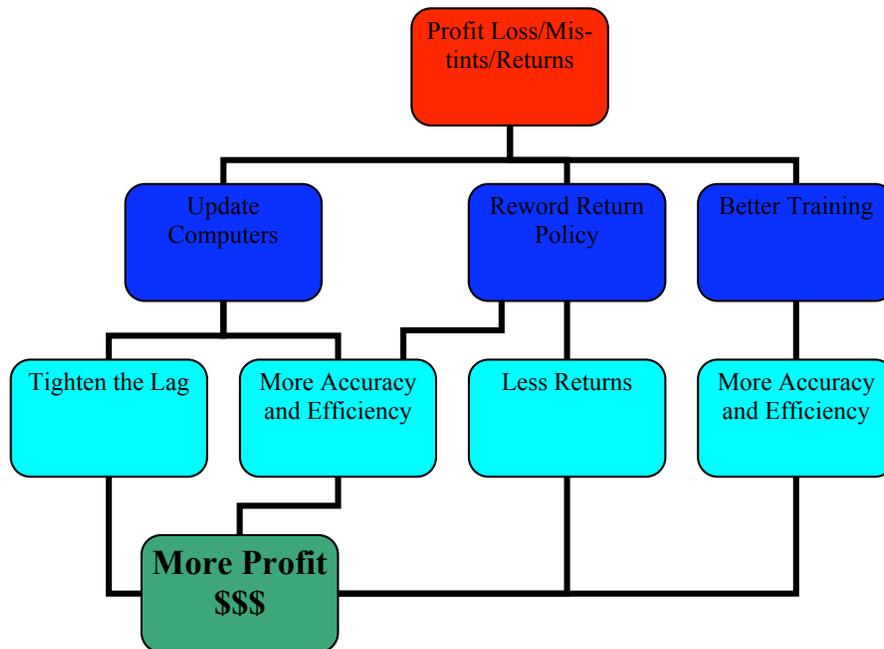


Figure 4. Benefit Chart

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## **Conclusion and Recommendations**

Sherwin Williams is not in a financial crisis. It has been around for many years in Ames, and will continue to be. However, it could be doing even better financially, and these recommendations can bring them into a new frontier of profit and customer satisfaction.

There is no smoking gun as far as solutions are concerned. As with many solutions, a multi-tiered approach is necessary to attain the goal.

First, it is the recommendation of this proposal that the store update its computer systems to match the new equipment it has recently received. This will give a higher level of accuracy and efficiency to the tinting process.

Second, the return policy must be updated to prevent dishonest returns and be more compatible with the 21<sup>st</sup> century.

Third, the training of new employees should be directly more intensive and include hands-on training on both the equipment and custom matching processes.

If you follow these recommendations, you will see an increase in productivity and customer satisfaction; but more importantly your profit loss will diminish.

## **References**

Sherwin Williams. (2007). About Us. Retrieved June 20, 2007, from <http://www2.sherwin-williams.com/about/>

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