VI. PROOF METHOD

A. QUANTITY PROOFS

Master Cards—Prove in usual way—i. e., (a) Old and New Balance Proof; (b) Cross-Footing Proof.

Detail Cards—Totals of last *balances on hand* (column 6) of all detail cards equal last "Balance on Hand" (column 6) of master card.

B. VALUE PROOFS

Last "Balance on Hand" (column 6) multiplied by price should equal last "Value on Hand" (column 11). If it does, it proves:

1. That the old balances of both Quantity and Value were picked up correctly;
2. That all receiving tickets were extended correctly as to total value received;
3. That all disbursement tickets were extended correctly as to total value disbursed;
4. That the extension of all new balances is correct.

Note 1: Master Card and Detail Card to be of different color to make it practicable to file master card with and in front of corresponding detail cards.

Note 2: Card to be oblong, so that different sets can be staggered when withdrawn from file.

Note 3: The base card of four balance columns has been referred to for the sake of simplicity in connection with the above description of methods of recording values. It should be understood that the card wherein the *balance on hand* column has been sub-divided, resulting in five balance columns, is equally adaptable to these methods by employing the additional three-column value field illustrated with cards C and D, and exactly the same method of posting and proof with a single variation. This variation is that, when posting receipts, the removal of stores from storehouse to open stock (subtracting from Column 7 and adding to Column 8—Card A) involves no change in the *value on hand*. For such posting therefore the values should not be extended.

ABSTRACT of remarks of L. H. Ballou, Works Manager of Lewis Manufacturing Company, Walpole, Mass., at the first meeting of the New England Section of the Taylor Society—Boston, May 6, 1921:

Our particular problem is stores. We are manufacturers of hospital gauze. We have the usual inventory of supplies for general use and for plant maintenance. We also have our inventories of raw material and finished stock which constitute the major problem.

Our raw materials are grey goods. Grey goods are quoted daily in the trade papers. They fluctuate not only from supply and demand but also in relation to the price of raw cotton. Raw cotton fluctuates constantly, based on demand and on possibilities affecting the crop for the coming season. These factors give an uncertain fluctuating price to grey goods. It is our desire as far as possible to remove the hazard of this fluctuation by keeping inventories at a low level.

All of our manufacturing is for stock. The demand for "service" in the trade is very high. Usually shipments are made within twenty-four hours from receipt of order. In order to give such service, inventories are necessary at reasonably high levels. Our problem, therefore resolves itself into two sections:

1. How small can we keep our inventory to eliminate the hazard? 2. How large must we keep our inventory in order to maintain a high standard of service?

We have found nothing that has so well met the situation as the Taylor method of storekeeping.

One of the questions that is always raised, and rightly so, is—"Is it profitable?" This can best be answered by quoting from our experiences of the past eight or nine months. During that time grey goods have fallen from $1.35 to $.40 per pound. Fluctuations have been as much as $.15 or $.20 a pound in a week. Such a change is unusual, but a fluctuation of $.03 per pound would not be unusual. As closely as we can determine we have been able to reduce our inventory three million yards or 200,000 pounds of goods, as a result of our Taylor balance sheets. If we assume that a fluctuation of $.03 per pound is not extraordinary and that the inventory hazard has been reduced by 200,000 pounds there would be a saving of $6,000 with each $.03 drop in the market.

The cost of operating the storerooms is no greater under the Taylor plan than under another method of operation. That expense is determined by physical goods handled rather than by the method. If there is a supplementary expense it is in the cost of operating the balance sheets. This cost is approximately $7,000 per year. If, as a result of these balance sheets, inventories have been reduced 200,000 pounds then practically the entire cost of a year's operation is saved by a single market drop of $.03 per pound. Such a change may be repeated a number of times in the course of a year.

Possibly the example that has been selected may seem extraordinary because of the speculative nature. I have had experience in other lines of industry and with other stores problems and I feel that the opportunities for economy are relatively as great. The economy may not always be measurable in terms of inventory shrinkage; it may be in the intangible but nevertheless real economy of having been able to deliver the right materials at the right place at the right time and thus overcome delays that would otherwise occur.

METHODS OF COMPENSATING SALESMEN[1]

(Abstract of a Report)

By C. K. Woodbridge[2]

IN speaking of compensation methods, one having in mind the present situation said: "The methods formerly employed have not been suited to these new conditions." All will admit that new conditions are continually met in business and this non-debatable fact is probably the reason why a set compensation plan never fits for long and is a subject for constant readjustment. In our opinion it will be a continuous subject for readjustment. Conditions on which to base compensation do not remain the same.

The ability of the man, the nature of the job to be performed, the value of the accomplished task to the employer, the individual standard of living, and the right to save and accumulate, are among the factors that should determine the amount and form of compensation.

Since this is a report on methods of compensation for salesmen and is to be followed by discussion, a common agreement as to terms seems desirable.

Analyzing the use, our understanding as to the meaning of terms is here noted:

Compensation: Making terms suitable to or for—a counter-balance;

Salary: A predetermined periodical allowance made as compensation to a person for services;

Commission: A compensation accruing to an agent or factor indeterminate in amount; usually a percentage of the value handled by the factor;

Bonus: An extra allowance; that which is offered or won as an honor and reward for superiority or success, as in a contest;

Task: A specific amount of labor required or undertaken.

COMPENSATION PLANS IN USE

From a study of the subject as presented in *Printers Ink* of April 7th, The Dartnell Corporation Report No. 17, *Practical Plans for Compensating Salesmen;* forty questionnaires from national sales organizations, and a bit of experience, a few of the known variety of compensation plans now in use are here given. Only a brief reference will be made to some, since the nature of these plans is in most cases of common knowledge and since the sources of information for the most part are accessible to all. We find the following:

1. *Straight Commission*.

2. *Sliding Commission*: A commission the rate of which automatically increases as predetermined sales goals are reached.

3. *Group Commission Plan*: Merchandise divided into groups, each paying a different commission.

Commission plans are extensively used. It is the opinion of many that they place the sales expense and risk on the other fellow. In practice they develop a tendency to oversell. Cold canvas for prospects is neglected. The relationship of salesman and house is not close. Too much money is made in boom times, too little in hard times.

4. *The Straight Salary*: This plan is probably used by fifty per cent of all concerns. The man with the fixed income, having faith in his house and a quality product, works as a partner in the business and increases good will for his firm. It lacks, in the minds of a great many, proper incentives for better than ordinary performance.

5. *Salary and Commission*: This is a combination of the two most widely used compensation plans. It is favored in times when selling is difficult, as at the present moment. By it a salesman is supposed to profit through his industry.

6. *Salary, Expense and Commission*: In this salary and expense are deducted from commission earned on sales, and if there is an excess it is paid to the salesman.

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[1]A report presented to the Cleveland, O., meeting of the Taylor Society, May 19, 1921.

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