

Andy Church

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**Construct Powerful Pay Plans That
Drive Profitability!**



Andy Church

Motto: Profit By Action!

- Passion for the Automotive Industry

- Over 20 Years in the Automotive Industry

- Over 15 Years Coaching Dealers to Drive Profitability

Agenda

- Why Are Pay Plans Important?
- Gut Check
- Today's Marketplace
- Designing a Successful Pay Plan
- Best Practices



Why Are Pay Plans Important?



Attract Talented
Candidates



Retain Great
Employees



Motivate Positive
Behavior

Good Pay Plans
also...

Provide
Managers with
Greater Control
over their
Business!



Pay Plan Goals



Incentivize



Motivate



Reward

Pay Plans Goal

...

BONUS:

Drive
Profitability



GUT CHECK! (Rate yourself 1 to 5)



- Does your Pay Plan Drive positive behavior?
- Does it give the management strong control?
- Does it show a Path for career development?
- Does it encourage employee retention?
- Is it linked to your budget?

- How did you do?

25 Points – Rock Star

20 – 24 Points – Not to bad

15 – 19 Points – Needs some work

0 – 14 Points – Glad you're here!

What's at Stake?



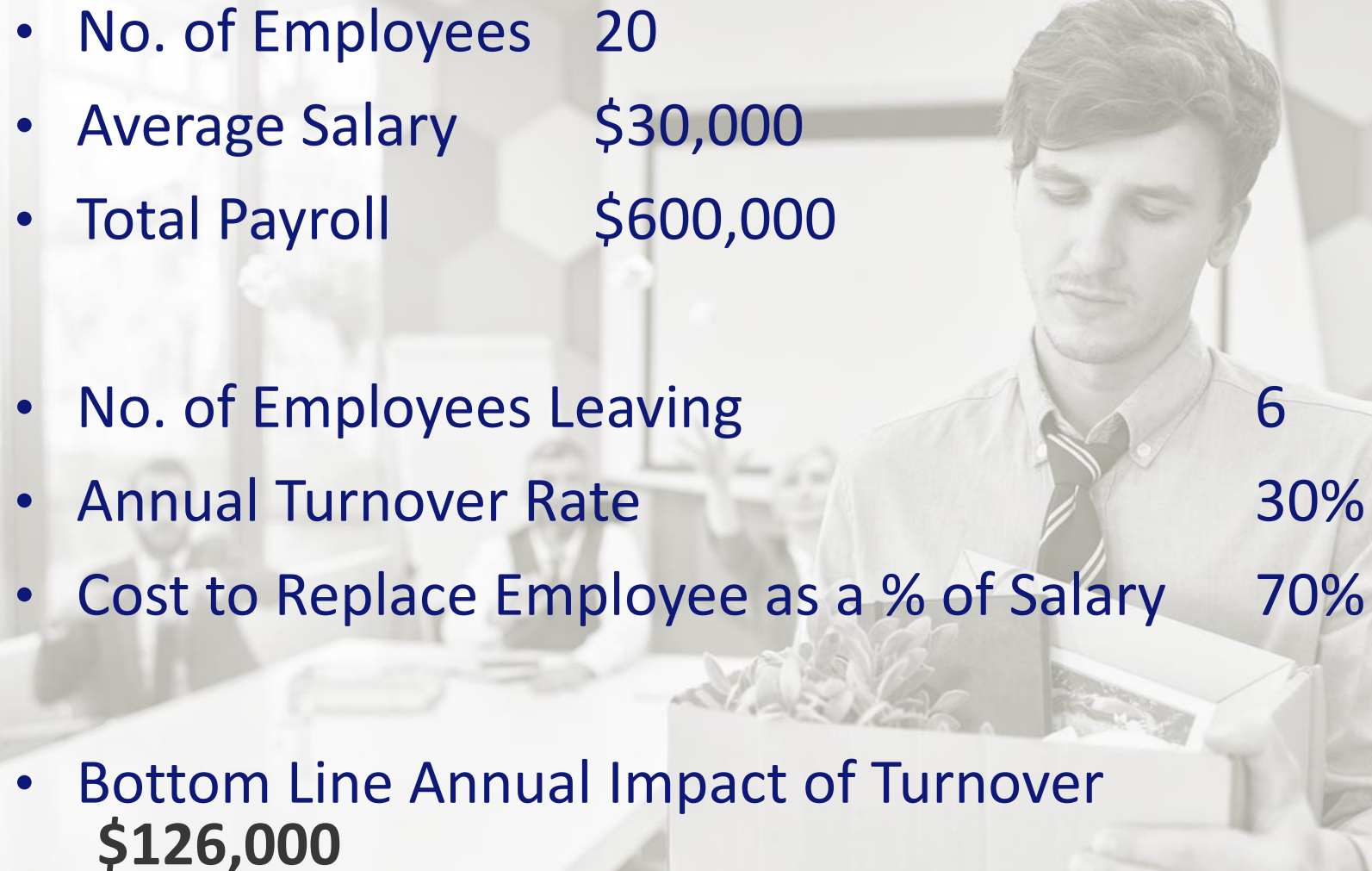
NADA Workforce Study

- Retention:
 - Total Dealership 45%
 - Sales 35%
 - Non-Luxury Turnover = 80%
- First 90 Days
 - 28% of all employees don't last
 - 39% of Sales staff

What If Your Turnover is Around 30%?

- No. of Employees 20
 - Average Salary \$30,000
 - Total Payroll \$600,000

 - No. of Employees Leaving 6
 - Annual Turnover Rate 30%
 - Cost to Replace Employee as a % of Salary 70%

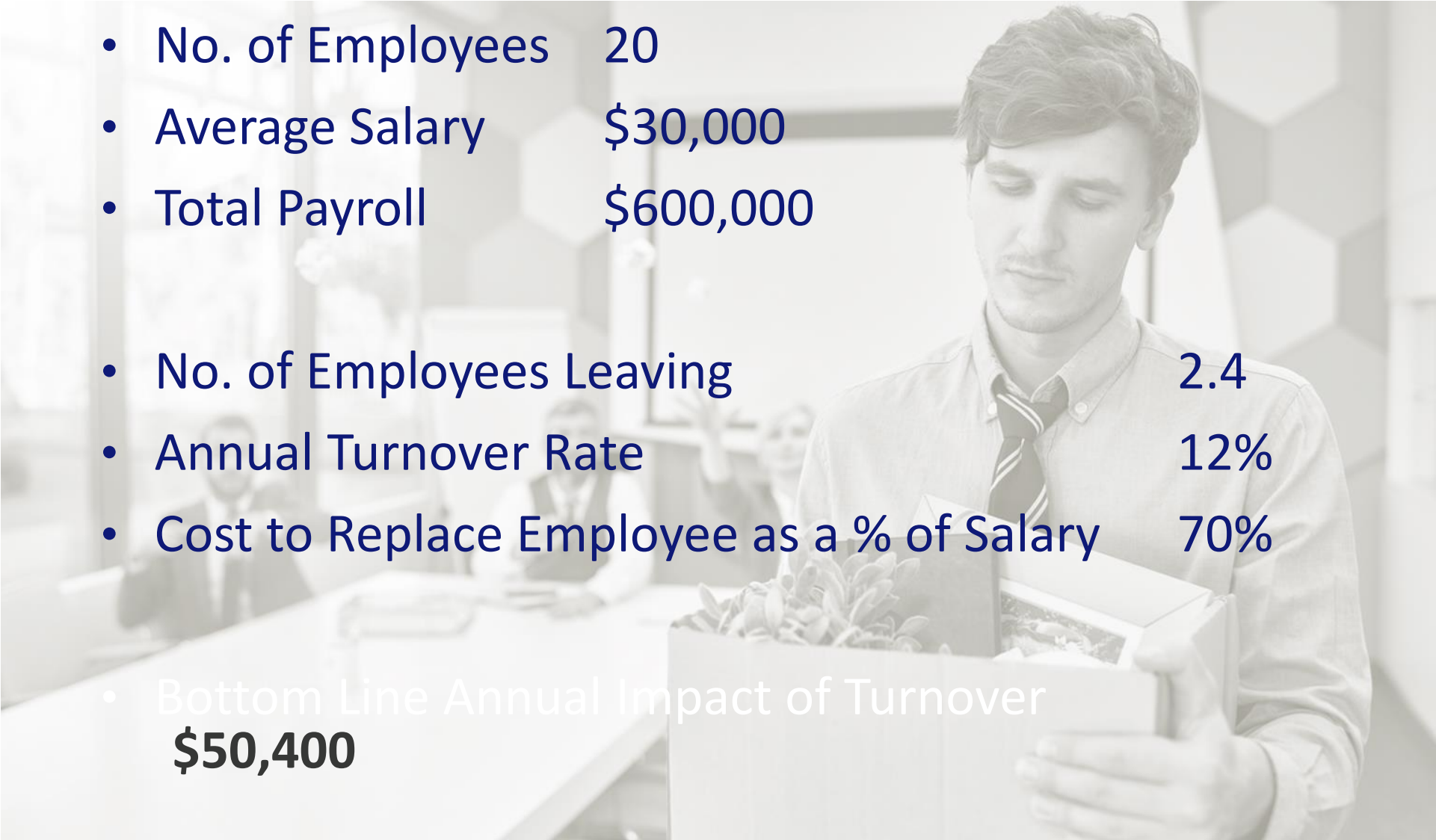
 - Bottom Line Annual Impact of Turnover
\$126,000
- 

What If Your Turnover is Around 12%?

- No. of Employees 20
- Average Salary \$30,000
- Total Payroll \$600,000

- No. of Employees Leaving 2.4
- Annual Turnover Rate 12%
- Cost to Replace Employee as a % of Salary 70%

- Bottom Line Annual Impact of Turnover
\$50,400



What If Your Turnover is Around 12%?

- Staff Turnover = 30 % Bottom line impact
- 126,000
- Staff Turnover = 12% Bottom line impact
- 50,400

Savings \$75,600

- Plus
 - Increased Customer Satisfaction
 - Increased Employee Satisfaction
 - Increased Profitability

Increase Retention = Increase Profitability!

60%

Recruiting – Best Practices



What is the first step of your Sales Process?

Best Practice - Screening

- Hiring? 3 Screenings
- Sales
 - 1st – Submit a prospecting plan when past first round
 - 2nd – Phone Interview
 - 3rd – Face to Face
- Fixed
 - 1st – Submit a review of your website and Social / Reviews
 - 2nd – Phone Interview
 - 3rd – Face to Face

Best Practice - Onboarding

- Increases Employee Retention
 - In one study, employees were 60% more likely to remain with the organization for more than three years when there **is** a structured **onboarding** program.
- Increases Engagement
 - Employees who are encouraged to support others are more productive.
- Increases Profits
 - Gallup, employees who were highly engaged with their company had 147% higher earnings per share than their competition.

What Dealer's Want



What Dealer's Want

- Profit, Profit, Profit
- Happy Customers & Employees
- Stability in Dealership
- Predictable Results



Designing a Successful Pay Plan



Designing a Successful Pay Plan

- Position not Person
- Define Success
- Recognize Activity
- Win! = Win!

A close-up photograph of a pen writing on a calendar grid. The pen is positioned diagonally, and the words "Do the Right Thing" are written in a cursive script across several dates. The numbers 20, 21, and 25 are visible on the calendar grid. The background is slightly blurred, showing the grid lines and other dates.

Do the
Right Thing

What to Avoid – The Don'ts

- Over-engineer – Keep it simple to understand
- Give preferential treatment to certain employees
- Have employee win even when the Dealership loses

Andy's 3 Keys to Successful Pay Plans

1. Gives Employee Stability
2. Gives Manager an Element of Control
3. Employee Path



I love that!

Give Employee Stability!

1 Give Employees Stability

- Predictable Wage
- Leadership / Part of a Team
- Company looks out for me and I look out for the Company



**Drives
Profitability!**

**Give Manager an
element of Control!**

2 Give Managers an Element of Control

- Activity Components
- Subjective Components

2 Give Managers an Element of Control

- Activity Components

- Sales – If you provide a base salary you can require:

- Training compliance
 - Prospecting
 - Working the Service Drive
 - Appointments
 - Test Drives
 - And more...

2 Give Managers an Element of Control

- Activity Components

- Service Advisors – If you provide a base salary you can require:

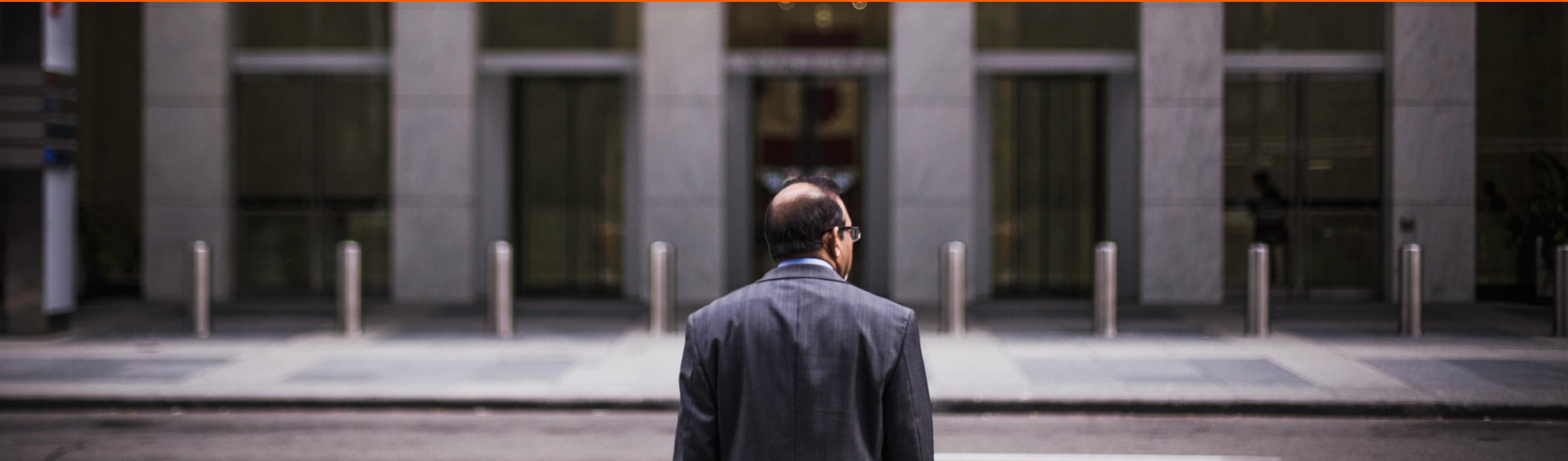
- Training compliance
 - Walkarounds
 - Vehicle Health Check
 - Out Bound Prospecting
 - And more...

2 Give Managers an Element of Control

- Subjective Components – Manager Decides
 - Service Technicians
 - Be at work on time
 - Clean Bay
 - Attitude
 - Comebacks

3 Employee Path

How do I get where I want to go?



3 Employee Path

- How to Make more Money?
 - Service Technicians
 - Certifications
 - Specialist
 - Supervisory Responsibilities
 - Sold Hours 3 Month Average over 50 per week

Technician Pay Calculator	Effective Labor Rate	Desired GP %	Max Hourly Pay
		\$149.00	70.00%
Components	Actual Achieved	Max Potential	
Tech Skill Level - typical 3 Levels	10%	15%	\$14.90
Master Tech - Brand Specific	2%	2%	\$2.98
Licence Qualified	1%	1%	\$1.49
Brand Training Up to Date?	1%	1%	\$1.49
Designated Tech Support	1%	1%	\$1.49
Specialist Allowance	1%	1%	\$1.49
Other Supervisory Responsibility	0%	2%	\$0.00
Sold Hours Consistent Over 50 Per week	2%	2%	\$2.98
Other Discretionary Payment	0%	0%	\$0.00
Total Components %	18%	25%	\$26.82
Management Criteria +/-	Actual Achieved	Max Potential	
Attitude / Teamwork	1%	1%	\$1.49
Punctuality	0%	1%	\$0.00
Housekeeping	1%	1%	\$1.49
Comebacks	1%	1%	\$1.49
CSI	0%	1%	\$0.00
Total Management %	3%	5%	\$4.47
Total Pay Achieved	21%	30%	\$31.29
		Total Pay Potential	\$44.70

Sales Escalator Commission Plan

Commission %	Paid Back to Unit #1				
	5%	8%	10%	15%	18%
Points Needed	18	23	27	36	54
Units Required @ Average Points	4	5	6	8	12

	Points Value	Sales Made	GP Retained
Model 1	5	2	\$2,480
Model 2	8	1	\$3,200
Model 3	2	3	\$4,500
Model 4	3	2	\$6,430
Total		8	\$16,610
		Units Points Earned	30

Earnings		
Monthly Salary	\$2,000.00	
Commission Earned	\$1,661.00	10.0%
Total Months Earnings	\$3,661.00	22.0%

Sales Pay Plan Ideas

- In Stock Incentive
- Sell Your Trades Incentive
- Commission for F&I Contract items
- Requirement to sell 4 Used a month
- Bonus for selling slow moving Models
- Tenure Bonus
- Tiered / Fast Start bonus

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