BEST PRACTICES WEBINAR

REWARD RIGHT: EFFECTIVE INCENTIVE PLANS FOR ADMIN/SERVICE



In This Seminar

- Introductions
- Why Incentives are So Important
- Components of Success
- How to Build Incentives
- Questions



Jim Kahrs

- > 38 Years in Business Systems
- Started Prosperity Plus in 2001
  - Improve Your Profit, Cash Flow and Growth
- M&A, Valuations, Succession Planning
  - More than 375 individual transactions
- Marketing Programs
- Consulting based on Experience + highly successful Hubbard® Management System & Value Builder System®

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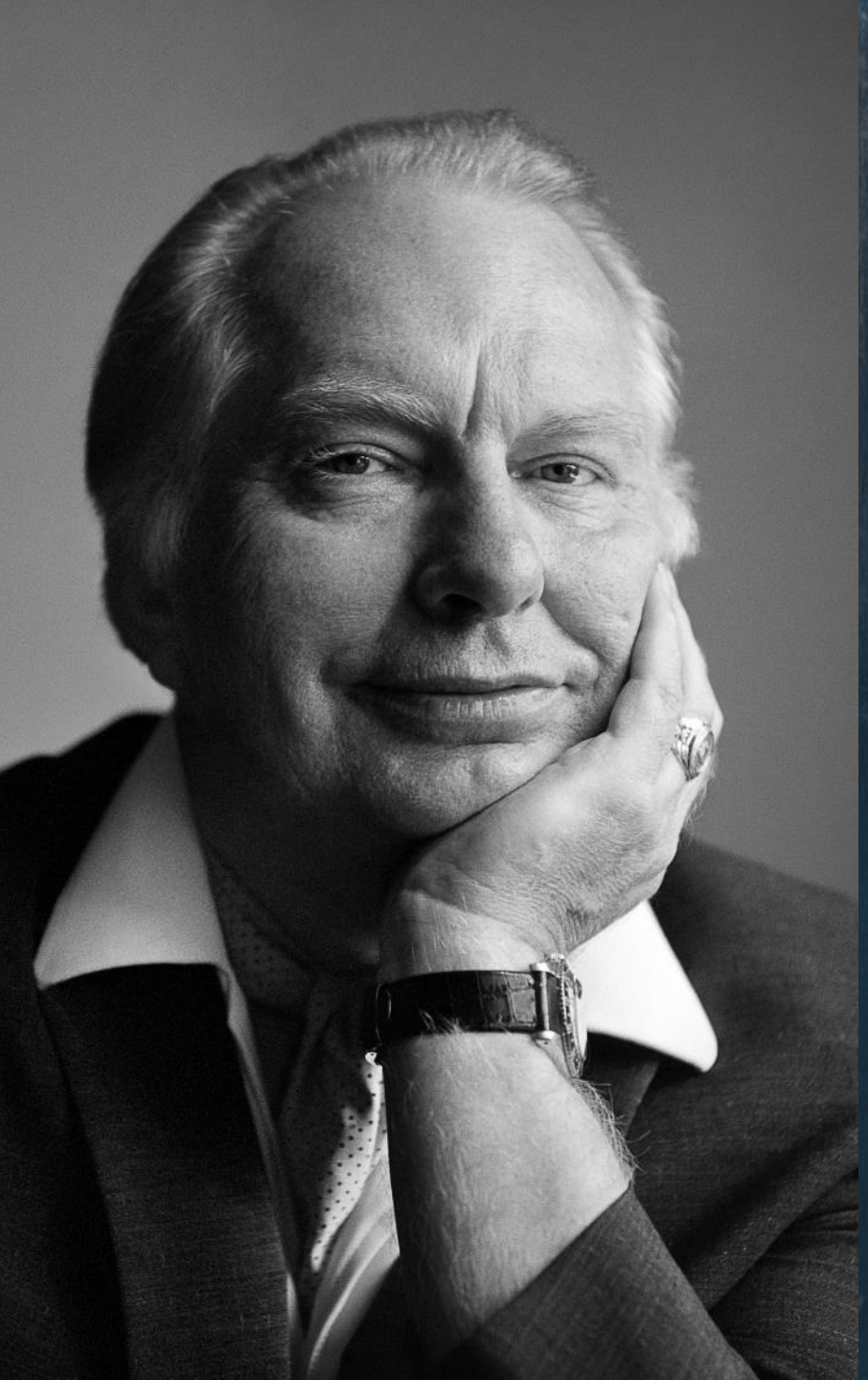

Prosperity Plus

Hubbard Management System

- Created by L. Ron Hubbard
- Dianetics Author
- Founder, Church of Scientology
- Also Created:
  - Narconon
  - Criminon
  - Applied Scholastics
  - Volunteer Ministers
- Researched & developed one of the world's largest documented management technologies in existence. Used worldwide among companies large & small. Outlined in many courses, books & lectures.

Importance of Incentives

- How does your company make money?
- What about profit?
- What happens to your costs every year?
- You have incentive plans in place even if you don’t know it.



Current Comp Plans

- Salary
- Commission
- Bonuses
- Benefits
- Expense Reimbursement
- Other



Poll Time

How much of an admin employee's wages should be incentive based?

1. 0%
2. 10%
3. 20%
4. 30%
5. Other

Poll Time

How much of a service technician's wages should be incentive based?

1. 0%
2. 10%
3. 20%
4. 30%
5. Other

How it’s Done Today

Typical ways employees get increases or earn more money:

- Annual Raises
- Promotion Opportunities
- Commissions
- Overtime
- Bonuses
- Welfare?

Components of Success

- Understand the purpose of the job
- Define the product or products of the job
- Break these down into measurable actions
- Track and measure production
- Properly reward production

Purpose (n)

The reason for which something is done or for which something exists.

Oxford Dictionary

Purpose (n)

Service Tech/Engineer

- Diagnose and repair malfunctioning systems
- Solve customer problems
- Do the above with maximum efficiency and minimum cost

Purpose (n)

Receptionist

- Receive and route people, calls, other communications quickly and correctly
- Create positive impression for those communicating with the company

Purpose (n)

Accounts Receivable

- Handle all aspects of A/R, cash application and collections
- Preserve company cash flow

Product (n)

A completed thing that has exchange value within or outside the activity. A completed cycle of action which then can be represented as having been done.

Modern Management Technology Defined

Product (n)

Service Tech/Engineer

- Completed service calls
- Happy customers willing to refer others

Product (n)

Receptionist

- Communications quickly and properly routed to employees
- Distribution of all outgoing mail to proper carrier

Product (n)

Accounts Receivable

- Timely and accurate application of all customer payments
- Rapidly collected receivables

Sub Product (n)

Those necessary to make up the valuable final products.

Modern Management Technology Defined

Sub Product (n)

Service Tech

- Complete vs. incomplete service calls
- Repeat service calls
- Cost of parts per call
- Customer time
- Travel time and miles

Sub Product (n)

Receptionist

- Calls answered
- Mail received and sent
- Visitors handled

Sub Product (n)

Accounts Receivable

- $ received
- A/R more than 60 days old
- Collection calls

Statistic (n)

A number or amount compared to an earlier number or amount of the same thing. Statistics refer to the quantity of work done or the value of it in money.

Modern Management Technology Defined

Statistic (n)

Service Tech

- # of Gross service calls
- First-call efficiency %
- $ parts used per call
- # of hours of customer time
- # of hours of travel time
- # of other hours

Poll Time

How many gross service calls should a tech complete per day?

1. 3
2. 5
3. 7
4. 10
5. Other

Statistic (n)

Receptionist

- # of phone calls received, routed
- # of written communications received, routed
- # of visitors received, routed

Statistic (n)

Accounts Receivable

- % A/R > 60 days
- $ value A/R > 60 days
- # of collection calls
- # of collection letters/statements sent
- $ collected

Poll Time

How many collection calls should an A/R-Collections person complete per week?

1. 25
2. 50
3. 150
4. Other

How to Create Incentive Plans

- Regular tracking & reporting of products, sub products
- Establish method for accurately capturing data
- Get statistics reported weekly
- Graph and post statistics
- Review performance weekly
- Analyze current performance levels
- Establish incentives based on improvement

Sample: Service Tech

FY2020 Quarterly Bonus

PURPOSE:
As a Service Technician for DEALERSHIP NAME, Inc. it is important to maintain a consistent and professional level of customer service. It is equally important to service customers quickly and to fix problems the first time. This bonus program has been designed to provide an added incentive for technicians that perform above the normal expectations in key areas. Bonuses will be paid quarterly following the criteria below.

1. **Applicable Person:**
   Service Technician

2. **Period:**
   April 1, 2020 through June 30, 2020

3. **Bonus Categories:**
   a) **Quarterly average of 4.2 net calls per day**
      (**Net calls** = total calls – incomplete calls – repeat calls)
   Level 1=5.0 and up, Level 2 = 4.6 – 4.9, Level 3= 4.2 – 4.5
   b) **Parts usage of $18.00 per call**
   Level 1= $14.50 and under, Level 2 = $14.51 – 16.50, Level 3= $16.51 - $18.00
   c) **Average call back ratio of 10% or less**
      (**Call back** = number of repeat calls / total calls)
   Level 1=<10%, Level 2=10.01-12.00%, Level 3=12.01 – 14%

4. **Evaluation Formula:**

   Technicians will be awarded points based on their performance in the above categories. The table below shows the points awarded for performance levels.

Category	Level 1	Level 2	Level 3
a)	40 points	30 points	20 points
b)	40 points	30 points	20 points
c)	40 points	30 points	20 points

5. **Bonus Amount Computation:**

   Total points X $ 5 per point = Bonus paid

   Examples:
   120 points X $ 5 = $600.00
   90 points X $ 5 = $450.00

Sample: A/R Collections

DEALERSHIP NAME

A/R Collections Incentive Program

Presented to Employee Name Date: Enter date

Monthly Collections Bonus – A monthly bonus will be paid for A/R Collections activities and results that meet the following criteria:

Mid Month A/R Percentage older than 60 days	Bonus
Less than 5%	$ 200.00
5.1% - 7.0%	$100.00
7.1% - 10.0%	$50.00
Greater than 10%	$0

Collection Calls Made	Bonus
Greater than 400	$100.00
250 - 399	$50.00
200 - 249	$25.00
Lass than 200	$0

In order to qualify for bonuses all stat reporting must be completely up to date and submitted on time.

NAME
A/R Collections Rep

NAME
A/R Manager

Date

Date

Non-Monetary Incentives

- Admin, service staff are NOT sales reps
- Monetary programs don’t work alone
- Younger generations value time over money
- Recognition is critical
- Post weekly graphs in public area
- Create a tech, admin employee of the month, quarter, year
- Recognize performers just like you do in sales

Summary

- A business succeeds by driving results.
- Driving results is based on truly understanding and inspecting what is being done.
- Focus on Purpose, Products, Sub-products and Statistics.
- Then reward employees for creating results with proper incentives.
- The secret is creating a culture that is driven by measurable results where those that produce are rewarded.

Here's a Good Idea

- Do the **Dealership Analysis Program**
  - A deep dive into what is working and what isn't
  - A roadmap to your goals
  - $1,495 cost for 4 meetings
- Contact me with questions:

Jim Kahrs
631-382-7762 ext. 101
jkahrs@prosperityplus.com

Next One: 8.20.26

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AVOIDING THE BIGGEST BUSINESS SALE MISTAKES

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Questions?

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Certified ValueBuilder™

JAMES KAHRS
President
jkahrs@prosperityplus.com

Prosperity Plus

Ph: 631.382.7762 ext. 101
Fx: 631.382.7744
60 E. Main Sreet
Kings Park, NY 11754
PROSPERITYPLUS.COM

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