Incentive Plans That Motivate Teams

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Reconnect. Recharge. Get Inspired.

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"What gets measured gets done."

-Peter Drucker

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Reconnect. Recharge. Get Inspired.

"What gets measured gets done, and what gets recognized gets done again—and even better."

-Robert Crawford

Many Types of Recognition Are Effective. Today We Will Focus On Financial Recognition Tied To Performance.

Step 1:
Determine Your Top Challenges

- **Use your Financial Statements to determine the areas you want to improve.**

- **This only works if your financial statements provide you with the correct information.**

- **So let's structure your financial statements to work for you!**

Sales

- **Inventory/Product Sales: What did you sell, i.e., Fresh Flowers, Plants, Balloons, Dried & Silk, Fruit & Gourmet, Gifts, Etc.**

- **Inventory sales include 100% if wire ins & internet orders regardless of what percentage you give up.**

- **Inventory sales include 0% of wire outs (20% is an other income commission), delivery income, service & Relay fees, Labor or any other income.**

Profit & Loss Statement

Inventory Sales:

Fresh Flowers		$ 225,000	
Plants			35,000
Balloons			3,400
Dried & Silks	8,000		
Fruit, Snack & Gourmet	12,000		
Gifts & Plush	7,000		
Cards			2,000
Total Inventory Sales		$ 292,400	

Cost of Goods Sold:

Fresh Flowers		$ 64,350	
Plants			11,690
Balloons			680
Dried & Silks			3,191
Fruit, Snack & Gourmet	5,136		
Gifts & Plush			3,850
Cards			1,142
Design Materials		27,506	
Total COGS Sales		$ 117,545	

Gross Profit: $174,855

Profit & Loss Statement

Inventory Sales:

		%	
Fresh Flowers	$ 225,000	76.9	
Plants	35,000	12.0	
Balloons	3,400	1.2	
Dried & Silks	8,000	2.7	
Fruit, Snack & Gourmet	12,000	4.1	
Gifts & Plush	7,000	2.4	
Cards	2,000	0.7	
Total Inventory Sales	$ 292,400	100.0	

Cost of Goods Sold:

		%	
Fresh Flowers	$ 64,350	22.0	
Plants	11,690	4.0	
Balloons	680	0.2	
Dried & Silks	3,191	1.1	
Fruit, Snack & Gourmet	5,136	1.8	
Gifts & Plush	3,850	1.3	

COGS Actual vs. Target

Sales Category	Sales	COGS	COGS Percentage	COGS Target Percentage	COGS Percentage Variance
Fresh Flowers					
Plants					
Balloons					
Dried & Silks					
Fruit & Snack					
Gifts					
Cards					
Design Materials					
TOTAL					

COGS Actual vs. Target

Sales Category	Sales	COGS	COGS Percentage	COGS Target Percentage	COGS Percentage Variance
Fresh Flowers	225,000				
Plants	35,000				
Balloons	3,400				
Dried & Silks	8,000				
Fruit & Snack	12,000				
Gifts	7,000				
Cards	2,000				
Design Materials					
TOTAL	292,400				

COGS Actual vs. Target

Sales Category	Sales	COGS	COGS Percentage	COGS Target Percentage	COGS Percentage Variance
Fresh Flowers	225,000	64,350			
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Fruit & Snack	12,000	5,136			
Gifts	7,000	3,850			
Cards	2,000	1,142			
Design Materials		27,506			
TOTAL	292,400	117,545			

TOTAL COGS = 40.2%

COGS Actual vs. Target

Sales Category	Sales	COGS	COGS Percentage	COGS Target Percentage	COGS Percentage Variance
Fresh Flowers	225,000	64,350	28.6		
Plants	35,000	11,690	33.4		
Balloons	3,400	680	20.0		
Dried & Silks	8,000	3,191	39.9		
Fruit & Snack	12,000	5,136	42.8		
Gifts	7,000	3,850	55.0		
Cards	2,000	1,142	57.1		
Design Materials		27,506	9.4		
TOTAL	292,400	117,545			

TOTAL COGS = 40.2%

COGS Actual vs. Target

Sales Category	Sales	COGS	COGS Percentage	COGS Target Percentage	COGS Percentage Variance
Fresh Flowers	**225,000**	**64,350**	**28.6**	**25.0**	
Plants	**35,000**	**11,690**	**33.4**	**33.0**	
Balloons	**3,400**	**680**	**20.0**	**25.0**	
Dried & Silks	**8,000**	**3,191**	**39.9**	**40.0**	
Fruit & Snack	**12,000**	**5,136**	**42.8**	**40.0**	
Gifts	**7,000**	**3,850**	**55.0**	**50.0**	
Cards	**2,000**	**1,142**	**57.1**	**50.0**	
Design Materials		**27,506**	**9.4**	**8.0**	
TOTAL	**292,400**	**117,545**			

TOTAL COGS = 40.2%

COGS Actual vs. Target

Sales Category	Sales	COGS	COGS Percentage	COGS Target Percentage	COGS Percentage Variance
Fresh Flowers	225,000	64,350	28.6	25.0	(3.6)
Plants	35,000	11,690	33.4	33.0	0.4
Balloons	3,400	680	20.0	25.0	5.0
Dried & Silks	8,000	3,191	39.9	40.0	0.1
Fruit & Snack	12,000	5,136	42.8	40.0	(2.8)
Gifts	7,000	3,850	55.0	50.0	(5.0)
Cards	2,000	1,142	57.1	50.0	(7.1)
Design Materials		27,506	9.4	8.0	(1.4)
TOTAL	292,400	117,545			

TOTAL COGS = 40.2%

Payroll

Payroll Costs whether paid by the hour or on a commission basis should not exceed 35.0% of inventory sales.

This includes sub-contract and casual labor.

Payroll

Payroll can be further broken down:

Sales & Admin	**5.0%**	
Design & Processing	**15.0%**	
Delivery		**5.0%**
Officers/Owners	**10.0%**	
Total:		**35.0%**

Know what "your" payroll percentages really are...

Gross Payroll Dollars/Inventory Sales = %

Determine Your Top Challenges

So once you have used your financial statements to Identify your top Challenges.

Now you need to develop an incentive program that will reward the behavior needed to fix those problems.

Step 2:

Determine What Behavior You Want To Reward.

Step 3:

Determine What Metrics Directly Measure That Behavior.

- **Step 4:**

Confirm That Your Technology and Operations Are Adequate.

Example 1:
Average Sale Incentive

Average sale	Bonus earned
$65 to $68	$100.00
$68.01 to $71	$150.00
$71.01 up	$200.00

Guidelines:

- Incentives to be paid in first paycheck of following month
- You must be a current employee to be eligible
- You must take at least a minimum of 50 orders per month to qualify
- Only delivery, phone and wire orders are count. Your average will not suffer because you rang up a $2 greeting card. The sale amount excludes sales tax.
- If you are absent without a doctor's note more than twice in a month you will be eligible for only half the bonus.
- COGS 28% or less

Example 2:
Average Sale Percentage Increase Incentive

Sales Incentive Program

When you increase your average sale by:	You will earn:
1% - 2.99%	$25.00
3% - 4.99%	$50.00
5% - 6.99%	$75.00
7% - 8.99%	$100.00
9% and up	$150.00

Minimum of 50 orders per month to qualify.
Sales under $30 and over $300 are not considered.

Example 3:
Reward per item sold

Earn $4 for every Standard Monthly Special You Sell.

Earn $5 for every Deluxe Monthly Special You Sell.

Earn $4 for every Standard Monthly Special You Sell.

May Monthly Special Sales Results

Name	Premium	Deluxe	Standard		Bonus
Teresa	12	17	18		$229
Dawn	4	19			$119
Arthur	1	14	11		$120
Renee	3	14			$88
Marlena		12	12		$108
Nancy		11	12		$103
Penny			13		$52
Emily		12			$60
Steven		11	11		$99
Diane		4	6		$44
Nice Job Everyone!	20	99	66		$1,022

Example 4:
Productivity Per Hour

FIRST_NAME	$ Filled	Units Filled	$ Sold	Units Sold	Hours	Avg Sale	Total Dollars	$/hr
WEB SITE	$0	0	$5,725	61	8	$94	$5,725	$715.69
SHERI	$2,900	71	$0	0	8	$0	$2,900	$362.47
MARY	$1,680	34	$0	0	8	$0	$1,680	$210.00
HELEN	$1,583	14	$0	0	8.7	$0	$1,583	$181.95
GREGORY	$1,309	29	$105	2	7.84	$53	$1,414	$180.42
BILL	$1,248	18	$0	0	8	$0	$1,248	$156.02
CLAIRE	$544	10	$0	0	3.8	$0	$544	$143.18
DAWN	$0	0	$1,080	10	8.86	$108	$1,080	$121.84
BRIANA	$1,015	13	$0	0	8.4	$0	$1,015	$120.85
NANCY	$0	0	$784	11	6.6	$71	$784	$118.79
JOAN	$891	16	$0	0	8.2	$0	$891	$108.68
KELLY	$766	10	$390	7	8.1	$56	$1,156	$142.71
CHRIS	$120	2	$782	3	8	$261	$902	$112.73

Export sales, design and time clock data from your pos.
Then use a spreadsheet to calculate productivity per hour.
Compensate performers based on:
- Dollars Sold Per Hour
- Dollars Designed Per Hour
- Both Sales & Design Per Hour

Example 5:
Straight Pay for Production

FIRST_NAME	$ Filled	Units Filled	$ Sold	Units Sold	Hours	Avg Sale	Total Dollars	$/hr
WEB SITE	$0	0	$5,725	61	8	$94	$5,725	$715.69
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MARY	$1,680	34	$0	0	8	$0	$1,680	$210.00
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BRIANA	$1,015	13	$0	0	8.4	$0	$1,015	$120.85
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JOAN	$891	16	$0	0	8.2	$0	$891	$108.68
KELLY	$766	10	$390	7	8.1	$56	$1,156	$142.71
CHRIS	$120	2	$782	3	8	$261	$902	$112.73

- Design-only position – You will need a support person.
- Increased productivity pays for support person.
- Check your state wage and hour laws.
- Must meet minimum wage (rarely a problem).
- Custom designs usually paid at a higher rate than bulk.

Example 5:

Order #	Assign Date	Fill Date	Designer	Product Code	Total Qty	Total Amount	Pay
01906996	08072021	08082021	41	T282-1B	1	$90.00	$6.75
01907005	08072021	08082021	41	421	1	$89.00	$6.68
01907289	08072021	08082021	41	001	1	$60.00	$4.50
01907437	08072021	08082021	41	CS100	1	$110.00	$8.25
01907458	08072021	08082021	41	003	1	$100.00	$7.50
01907459	08072021	08082021	41	003	1	$100.00	$7.50
01907465	08082021	08082021	41	TEV49-1A	1	$79.00	$5.93
01907468	08082021	08082021	41	004	1	$85.00	$6.38
01907488	08082021	08082021	41	PS100	1	$79.95	$6.00
01907518	08082021	08082021	41	003	1	$84.95	$6.37
01907544	08082021	08082021	41	T209-3A	1	$100.00	$7.50
01907550	08082021	08082021	41	PZ-1607A	1	$99.00	$7.43
01907879	08082021	08082021	41	001	1	$100.00	$7.50
01907937	08082021	08082021	41	T282-4A	1	$88.95	$6.67
01908002	08082021	08082021	41	002	3	$195.00	$14.63
01908014	08082021	08082021	41	T236-1A	1	$120.00	$9.00
01908014	08082021	08082021	41	SCRIPT	1	$7.95	$0.60
01908018	08082021	08082021	41	460	1	$75.00	$5.63
01908083	08082021	08082021	41	PLUSH	1	$20.00	$1.50
01908178	08082021	08082021	41	T282-9A	1	$90.00	$6.75
01908178	08082021	08082021	41	CARD	1	$8.00	$0.60
01908178	08082021	08082021	41	MYLAR	1	$6.00	$0.45
01908513	08082021	08082021	41	PP19-44B	1	$90.00	$6.75
01908513	08082021	08082021	41	CHOC	1	$15.00	$1.13
I0006532	08082021	08082021	41	003	6	$420.00	$35.70
	08/08/21 to	08/08/21					$177.66

Example 5:
Know Your Current Labor Expense As A Percentage of Production.

	CURRENT WAGE	CURRENT PRODUCTIVITY PER HOUR	CURRENTLY YOU ARE PAYING THIS PERCENT FOR DESIGN LABOR
BEGINNER	$15.00	$150.00	10.0%
INTERMEDIATE	$17.00	$180.00	9.4%
ADVANCED	$19.00	$210.00	9.0%
SUPERSTAR	$22.00	$280.00	7.9%
TOTAL PER HOUR	**$73.00**	**$820.00**	**8.9%**

- Make this a job, instead of a career.
- Bring the beginners and intermediates up to advanced.
- Show them the real financial increase of just one more order per hour.
- Include tips and training on how to get there.

Example 5:
Determine What Percentage You Need To Pay To Achive Your Goal

	CURRENT WAGE	CURRENT PRODUCTIVITY PER HOUR	DESIRED PRODUCTIVITY PER HOUR	NEW WAGE AFTER 10% RAISE	COMPENSATION AS PERCENTAGE OF PRODUCTION
BEGINNER	$15.00	$150.00	$200.00	$16.50	8.3%
INTERMEDIATE	$17.00	$180.00	$230.00	$18.70	8.1%
ADVANCED	$19.00	$210.00	$260.00	$21.90	8.4%
SUPERSTAR	$22.00	$280.00	$310.00	$24.20	7.8%

- Should be an obvious win for your employee and a win for the company and a win for your customers.
- In this example, it appears that paying around 8% of retail value for production will achieve your goal.
- Share the detailed numbers with each designer.
- They need to see the hourly equivalent to understand.

Possible Pitfalls.
What Can Go Wrong?

Time! You need to be committed and spend the time it takes to analyze, develop, implement, monitor, and adjust your incentive program.

You need to make sure that the employees that are being incentivized can actual control and create the change you are trying to reward.

Having the POS system and accounting systems in place and setup properly to provide the information you need to run the plan.

Possible Pitfalls.
What Can Go Wrong?

Slow designers leave. Avoid this by being their "Partner in Success" from the beginning. Remove obstacles that slow them down, and document top strategies for their individual improvement.

Complaints that "She gets all the good orders!" It is imperative that different types/value of orders get evenly distributed. Share the list to show it's fair.

"You don't care about artistic style and creativity. You're all about production. This shouldn't be a factory." Increased compensation is a result of both.

Other Concerns & Frequently Asked Questions.

- ⚙ Is this payroll or 1099?

- ⚙ Do I need contracts

- ⚙ How much can I afford?

- ⚙ How do I know it is working?

- ⚙ How do I keep it fresh and exciting?

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Thank you!!