

**Incentive
Plans That
Motivate
Employees
and Teams!**

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"What gets measured gets done."

-Peter Drucker



**"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



**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	% 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
Cards	1,142	0.4
Design Materials	27,506	9.4
Total COGS Sales	\$ 117,545	% 40.2
Gross Profit:	\$174,855	

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 = %

So now we have used our financial statements to Identify our top Challenges.



Step 2:
Determine What Behavior You Want To Reward that's going to fix the problem.

- Do you want to increase sales?
- Do you need to Reduce Cost of Goods Sold?
- Do you want do reduce Design Wages?
- Do you need more deliveries done?



**Step 3:
Determine What Metrics Directly
Measure That Behavior.**



**Step 4:
Confirm That Your Technology and
Operations Are Adequate.**



Simple Sale Incentives

- Dollar Bill Incentive
- Bingo Game
- Gum Ball Machine
- Lottery Tickets



Example 1:
Average Sale Incentive (current average sale is \$60.00)

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 \$6.00 for each Premium Monthly Special you Sell.
Earn \$5.00 for each Deluxe Monthly Special you Sell.
Earn \$4.00 for each Standard Monthly Special you Sell.

May Monthly Special Sales Results

Name	Premium	Deluxe	Standard	Bonus
Teresa	12	17	18	229
Dawn	4	19	0	119
Arthur	1	14	11	120
Renee	3	14	0	88
Marlena		12	12	108
Nance		11	12	103
Penny			13	52
Emily		12		60
Steven		11	11	99
Diane		4	6	44
Nice Job Everyone!	20	114	83	1022

Example 4:
Productivity Per Hour


Dollar amount of orders sold divided by hours worked.

Dollar amount of orders designed divided by hours worked.

Numbers of deliveries divided by hours worked.

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

Custom orders dollar amount designed times 9%


Recipe orders dollars amount designed times 7%

Pay per delivery

- . 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:
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%



Example 5:
Determine What Percentage You Need To Pay To Achieve 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.




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.



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?



Thank you!!

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