Payroll: Targets, Analysis and Incentives

Presented by:

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Targets
Targets

• Before we can analyze or incentivize anything, we need to know the targets.

• The targets need to be calculated in a consistent manner.

• You need to understand what to include and not include when comparing to a target.
• **Gross Sales**
  - Cash Sales
  - Check Sales
  - A/R Sales
  - Wire in Sales
  - Delivery Income
  - Service & Relay Charges
  - Outgoing Wire Orders

• **Inventory Sales**
  - Fresh Flowers
  - Plants
  - Balloons
  - Dried & Silks
  - Fruit, Snack & Gourmet
  - Gifts
  - Cards

**Other Income**
- Delivery Income
- Service & Relay Charges
- Outgoing Wire Orders
Targets

- Overall payroll targets:
- Officer/Owner Payroll
  – Target 10%

Know what “your” payroll percentages really are…

Gross Payroll Dollars/Inventory Sales = %
Benefits:

• Generally run 12 – 14% of Gross Pay.

• 16 – 24% when health insurance is offered.
• Overall payroll targets:

• Rank & File Payroll
  – Designers 15%
  – Delivery 5%
  – Sales & Admin 5%
  Total: 25%

These targets include Sub-Contract and Casual labor.
• Production Targets:
  – Designers
    • Designers should produce 10 times their hourly rate in production each hour.
    – A $15.00/hour employee should produce $150.00/hour in output.
• Production Targets:

  – Sales Staff
    • Sales staff should produce 25 times their hourly rate in production each hour.
      
      – A $12.00/hour employee should produce $300.00/hour in output.
• Production Targets:

  – Drivers
  • Drivers should make at least 3 deliveries per hour, or produce $30.00 in delivery revenue per hour.
Analysis
Analysis

• Run your numbers:

• Compare them to these targets and see what you need to work on.
Incentives
Incentives

- Incentives run the gamut from very simple to incredibly complex.

- I feel the simpler the better.
• Here are a few simple ideas:
  – Tape dollars to old containers (for Designers)
  – Tape dollars to wall (for Sales people)
  – Gumball machine
  – Bingo game
  – $’s for add-on sales (for Sales people)

• Be creative and come up with your own incentives that reflect your shop’s style.
Incentives

• Incentives based on Production Targets:

• Designers
  – Designers should produce 10 times their hourly rate in production each hour.

  • If your $15.00/hour employee produces $170.00/hour instead of $150.00, reward them for it. (I recommend using a monthly average.)

  • If they are below target, discuss it with them and hold them accountable.
Incentives based on Production Targets:

Sales Staff

– Sales staff should produce 25 times their hourly rate in production each hour.

• If the sales person exceeds their target, reward accordingly. If they are below, discuss and hold accountable to improve.
Incentives

- Incentives based on Production Targets:

- Drivers
  - Drivers should make at least 3 deliveries per hour, or produce $30.00 in delivery revenue per hour.
  - I’m a little apprehensive incentivizing drivers because I feel it’s like giving them a license to speed. The best way I’ve seen is to pay per package.
Incentives

Be fair or they won’t care!
Incentives

• Group Incentives or Incentives for Managers:
  • Based on a Target:
    – Ex. If we can get Cost of Goods Sold down from 34% to 32%, I will split $1,000.00 amongst you.
    – Ex. If we can get Payroll down from 28% to 25%, we’ll have a staff party.
Incentives

• Difficulties with Group incentives:

• Sometimes it’s difficult for the employees to understand how they can impact the situation, so therefore they don’t try.

• This is a team activity and if you have some non-team players, that could cause problems.
• Creating an incentive program is very personal and customized to your business.

– I have seen one shop put in place a very effective incentive program, which they shared with other shops; but when other shops tried to do exactly the same thing it has failed.
Incentives

- If you know your team, you will know what inspires them and you can build an incentive program that will work!
Questions?

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Handouts are available at:
FTDi.com/FTDUniversity/WebinarMaterials

Webinar will be available to view at:
YouTube.com/FTDMercuryNetwork