Payroll: Targets, Analysis and Incentives

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FTD

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

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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.

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- 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.

Targets

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

- I feel the simpler the better.

Incentives

- 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 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

- 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.
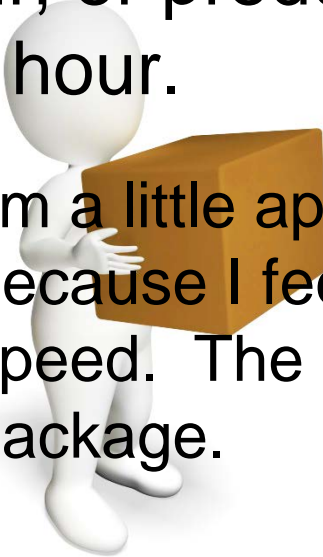
Be fair or they won't care!

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.

- 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.

Incentives

- 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