

DEALERSHIP
SALES & SALES MANAGEMENT
COMPENSATION PLANNING

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Garry House & Associates

GH&A Compensation Philosophy

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As a Subject Matter Expert (SME) in the dealership compensation arena, I believe there are **several key steps to successfully developing and implementing new pay plans for vehicle sales and management personnel.**



Combination Salesperson Compensation Planning
 Central City Chevrolet-Buick
 Primary Sales Staff



Planning Category Description	"A" Job (Superior)	"B" Job (Expected)	"C" Job (Average)	"D" Job (Unacceptable)
Number of Monthly Retail Unit Deliveries	12.0	10.5	8.5	6.0
Target Monthly Compensation	\$5,700	\$4,673	\$3,528	\$2,167
Per Retail Unit Delivered	\$475	\$445	\$415	\$475
Percent of Variable Gross	16.00%	15.00%	14.00%	13.00%

- **Budget the Compensation Payout.**

- ✓ **Setting these Target Metrics that I just mentioned is the same as Budgeting Your Payout.**
- ✓ **How will the new “Plan” compare to “Best Practice” Guidelines as a Percent of Gross?**
- ✓ **How will it compare to sales compensation being offered by your competitors for sales talent?**



**Best Practices Compensation Guidelines
for All Domestic Franchises**

	Combined New & Used		Service		Parts		Collision Center		Accounting & Administrative	
Salespersons	17.00%	(1)	12.00%	(2)	14.00%	(2)	11.00%	(2)		
Supervision	9.00%	(1)	8.00%	(2)	7.00%	(2)	11.00%	(2)	5.00%	(3)
Financial Services	5.00%	(1)								
Other	<u>4.00%</u>	(1)	<u>10.00%</u>	(2)	<u>7.00%</u>	(2)	<u>7.00%</u>	(2)	<u>2.00%</u>	(4)
Total	35.00%	(1)	30.00%	(2)	28.00%	(2)	29.00%	(2)	7.00%	(1)

(1) Calculated as a Percent of "Adjusted" Gross, which includes the following, if reported "Below the Line" in Other Income: a) Vehicle Hard Packs, b) Doc. Fees, c) Manufacturer Incentives.

(2) Calculated as a Percent of Total Department Gross, Prior to Any "Parts Gross Transfer".

(3) Calculated as a Percent of "Adjusted" Gross, which includes the following, if reported "Below the Line" in Other Income: a) Vehicle Hard Packs, b) Doc. Fees, c) Manufacturer Incentives. Includes all compensation for General Manager, Controller, and Office Manager.

(4) Calculated as a Percent of "Adjusted" Gross, which includes the following, if reported "Below the Line" in Other Income: a) Vehicle Hard Packs, b) Doc. Fees, c) Manufacturer Incentives. Includes all compensation for all accounting/administrative personnel not directly assigned to a department.



- **Determine if a “Salary” element is necessary.**
 - ✓ **Will it help us attract and retain quality sales personnel?**
 - ✓ **Will a Guaranteed “Draw Against Incentives” serve as well as a “Salary.”**
 - ✓ **How much does the Monthly “Draw” or “Salary” need to be?**



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Compensation Element #1	\$500	\$500	\$500	\$500
Weekly Salary				
Number of Weeks Per Month	4.333	4.333	4.333	4.333
Monthly Amount of Compensation Element	\$2,167	\$2,167	\$2,167	\$2,167
% of Total Compensation	37.97%	46.01%	60.28%	100.00%

Step 4 – Salesperson Compensation

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- **Determine How Much of the compensation budget should be reserved for “miscellaneous spiffs and incentives.” What will be included in this element?**
 - ✓ Fast Start, Fast Finish, or Other Monthly Contests?
 - ✓ Payouts on the Sales Activity LeaderBoard, Spiffs on Aged Vehicles, Other Flats and Special Bonuses?
- **Why is this important?**



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Compensation Element #6		"A"	"B"	"C"	"D"
Miscellaneous Spiffs & Incentives Budget		Job (Superior)	Job (Expected)	Job (Average)	Job (Unacceptable)
Number of Retail Unit Deliveries	Per Unit Budget \$30.00	12.0	10.5	8.5	6.0
Monthly Amount of Compensation Element		\$360	\$315	\$255	\$0
% of Total Compensation		6.31%	6.69%	7.10%	0.00%

Please note that this is Element 6.

- **Determine how the remainder of the pay plan should be allocated, by element.**

- ✓ **Results?**
 - ❑ Volume and/or Gross?
 - ❑ CSI Scores
- ✓ **Activities (Desired Behavior)**
 - ❑ Value Selling (“Gap”)
 - ❑ Customer Reviews
 - ❑ Other Activities



Combination Salesperson Compensation Planning
Central City Chevrolet-Buick
Primary Sales Staff



Compensation Element #2			"A"	"B"	"C"	"D"
Volume-Based Incentives			Job (Superior)	Job (Expected)	Job (Average)	Job (Unacceptable)
Per Unit Bonus						
Base Incentive Above Unit	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	6.5	\$15.00	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	7.5	\$30.00	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	8.5	\$45.00	\$0.00	\$0.00	\$382.50	\$0.00
Retroactive Incentive At Unit	9.5	\$65.00	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	10.5	\$85.00	\$0.00	\$892.50	\$0.00	\$0.00
Retroactive Incentive At Unit	11.5	\$105.00	\$1,260.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	12.5	\$125.00	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	13.5	\$150.00	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	14.5	\$175.00	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	15.5	\$200.00	\$0.00	\$0.00	\$0.00	\$0.00
Monthly Amount of Compensation Element			\$1,260	\$893	\$383	\$0
% of Total Compensation			22.08%	18.95%	10.64%	0.00%

Combination Salesperson Compensation Planning
Central City Chevrolet-Buick
Primary Sales Staff



Compensation Element #3	"A"	"B"	"C"	"D"
Incentive on Transactional Price-to-Sale Gap	Job (Superior)	Job (Expected)	Job (Average)	Job (Unacceptable)
Monthly Average Price-to-Sale Gap	\$144.18	\$187.58	\$288.33	\$162.60
Per Unit Bonus				
Average Transactional Discount Greater Than \$300.00	\$0.00	\$0.00	\$0.00	\$0.00
Average Transactional Discount from \$250.00 to \$299.99	\$40.00	\$0.00	\$340.00	\$0.00
Average Transactional Discount from \$200.00 to \$249.99	\$55.00	\$0.00	\$0.00	\$0.00
Average Transactional Discount from \$150.00 to \$199.99	\$70.00	\$735.00	\$0.00	\$0.00
Average Transactional Discount from \$100.00 to \$149.99	\$85.00	\$1,020.00	\$0.00	\$0.00
Average Transactional Discount from \$50.00 to \$99.99	\$100.00	\$0.00	\$0.00	\$0.00
Average Transactional Discount from \$0.00 to \$49.99	\$115.00	\$0.00	\$0.00	\$0.00
Monthly Amount of Compensation Element	\$1,020	\$735	\$340	\$0
% of Total Compensation	17.87%	15.61%	9.46%	0.00%

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Compensation Element #4		"A"	"B"	"C"	"D"
Incentives on Customer Sourcing		Job (Superior)	Job (Expected)	Job (Average)	Job (Unacceptable)
Number of Self-Generated Deliveries (as per Department Definition)	Per Unit Bonus \$75.00	8	5	4	1
Total Incentive on Self-Generated Deliveries		\$600.00	\$375.00	\$300.00	\$0.00
Monthly Amount of Compensation Element		\$600	\$375	\$300	\$0
% of Total Compensation		10.51%	7.96%	8.35%	0.00%

Combination Salesperson Compensation Planning
Central City Chevrolet-Buick
Primary Sales Staff



Compensation Element #5		"A"	"B"	"C"	"D"
Incentives on Customer Satisfaction		Job (Superior)	Job (Expected)	Job (Average)	Job (Unacceptable)
Number of "Completely Satisfied" Customer Surveys (New and CPO Vehicles)	Per Unit Bonus \$75.00	4	3	2	1
Monthly Amount of Compensation Element		\$300	\$225	\$150	\$0
% of Total Compensation		5.26%	4.78%	4.17%	0.00%

- **Compare your preliminary effort to your original target.**
 - ✓ **Does it closely match in all three categories? If so, move on to “Final Pay Plan Testing.” If not, tweak any (or all) of the compensation elements until you get a relatively close match in all three categories.**



Central City Chevrolet-Buick Primary Sales Staff



Planning Category Description	"A" Job (Superior)	"B" Job (Expected)	"C" Job (Average)	"D" Job (Unacceptable)
Number of Monthly Retail Unit Deliveries	12.0	10.5	8.5	6.0
Target Monthly Compensation	\$5,700	\$4,673	\$3,528	\$2,167
Per Retail Unit Delivered	\$475	\$445	\$415	\$475
Percent of Variable Gross	16.00%	15.00%	14.00%	13.00%

Total Monthly Compensation	\$5,707	\$4,709	\$3,594	\$2,167
+/- from Target	\$7	\$37	\$67	\$0
Annualized Compensation Amount	\$68,478	\$56,508	\$43,128	\$25,998
Per Retail Unit Delivered	\$476	\$448	\$423	\$361
+/- from Target	\$1	\$3	\$8	(\$114)
Percent of "All-In" Variable Gross Profit	15.85%	15.20%	14.54%	12.67%
+/- from Target	-0.15%	0.20%	0.54%	-0.33%

Combination Salesperson Compensation Planning

Central City Chevrolet-Buick

Senior Sales Staff

Planning Category Description	Scenario #1	Scenario #2	Scenario #3	Scenario #4
Number of Monthly Retail Unit Deliveries	26.0	22.0	18.0	14.0
Average "Sales Gross" Per Retail Unit	\$2,425	\$2,425	\$2,425	\$2,425
Total Monthly Departmental "Sales Gross"	\$63,050	\$53,350	\$43,650	\$33,950
Average "All-In" Sales Department \$PVR	\$3,000	\$3,000	\$3,000	\$3,000
Total Monthly "All-In" Variable Gross Profit	\$78,000	\$66,000	\$54,000	\$42,000
Target Monthly Compensation	\$19,500	\$14,850	\$10,800	\$7,700
Per Retail Unit Delivered	\$750	\$675	\$600	\$550
Percent of Variable Gross	25.00%	22.50%	20.00%	18.33%

Combination Salesperson Compensation Planning

Central City Chevrolet-Buick

Senior Sales Staff



Compensation Element #1			Scenario #1	Scenario #2	Scenario #3	Scenario #4
Volume and Gross Based Incentives						
	% of "Sales Gross"					
Base Incentive Above Unit	0	17.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	12.5	18.00%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	13.5	18.50%	\$0.00	\$0.00	\$0.00	\$6,280.75
Retroactive Incentive At Unit	14.5	19.00%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	15.5	19.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	16.5	20.00%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	17.5	20.50%	\$0.00	\$0.00	\$8,948.25	\$0.00
Retroactive Incentive At Unit	18.5	21.00%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	19.5	22.00%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	20.5	22.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	21.5	23.00%	\$0.00	\$12,270.50	\$0.00	\$0.00
Retroactive Incentive At Unit	22.5	23.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	23.5	24.00%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	24.5	25.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	25.5	26.00%	\$16,393.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	26.5	26.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	27.5	27.00%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	28.5	27.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	29.5	29.50%	\$0.00	\$0.00	\$0.00	\$0.00
Retroactive Incentive At Unit	30.5	30.00%	\$0.00	\$0.00	\$0.00	\$0.00
Monthly Amount of Compensation Element			\$16,393	\$12,271	\$8,948	\$6,281
% of Total Compensation			83.92%	82.91%	81.21%	79.60%

Combination Salesperson Compensation Planning

Central City Chevrolet-Buick

Senior Sales Staff



Compensation Element #2			Scenario #1	Scenario #2	Scenario #3	Scenario #4
Incentives on Customer Sourcing			#1	#2	#3	#4
Number of Self-Generated Deliveries (as per Department Definition)	Per Unit Bonus	\$75.00	21	16	13	9
Total Incentive on Self-Generated Deliveries			\$1,575.00	\$1,200.00	\$975.00	\$675.00
Monthly Amount of Compensation Element			\$1,575	\$1,200	\$975	\$675
% of Total Compensation			8.06%	8.11%	8.85%	8.55%
Compensation Element #3			Scenario #1	Scenario #2	Scenario #3	Scenario #4
Incentives on Customer Satisfaction			#1	#2	#3	#4
Number of "Completely Satisfied" Customer Surveys (New and CPO Vehicles)	Per Unit Bonus	\$75.00	7	6	5	5
Monthly Amount of Compensation Element			\$525	\$450	\$375	\$375
% of Total Compensation			2.69%	3.04%	3.40%	4.75%
Compensation Element #4			Scenario #1	Scenario #2	Scenario #3	Scenario #4
Miscellaneous Spiffs & Incentives Budget			#1	#2	#3	#4
Number of Retail Unit Deliveries	Per Unit Budget	\$40.00	26.0	22.0	18.0	14.0
Monthly Amount of Compensation Element			\$1,040	\$880	\$720	\$560
% of Total Compensation			5.32%	5.95%	6.53%	7.10%

Combination Salesperson Compensation Planning

Central City Chevrolet-Buick Senior Sales Staff



Planning Category Description	Scenario #1	Scenario #2	Scenario #3	Scenario #4
Target Monthly Compensation	\$19,500	\$14,850	\$10,800	\$7,700
Per Retail Unit Delivered	\$750	\$675	\$600	\$550
Percent of Variable Gross	25.00%	22.50%	20.00%	18.33%

Total Monthly Compensation	\$19,533	\$14,801	\$11,018	\$7,891
+/- from Target	\$33	(\$50)	\$218	\$191
Percent of Total Compensation	100.00%	100.00%	100.00%	100.00%
Annualized Compensation Amount	\$234,396	\$177,606	\$132,219	\$94,689
Per Retail Unit Delivered	\$751	\$673	\$612	\$564
+/- from Target	\$1	(\$2)	\$12	\$14
Percent of "All-In" Variable Gross Profit	25.04%	22.43%	20.40%	18.79%
+/- from Target	0.04%	-0.08%	0.40%	0.45%

- **Final Pay Plan Testing.**

- ✓ “Final Pay Plan Testing” is performed to determine your overall resultant compensation payout percentage, with your current (or targeted) mix of salesperson performance levels.



Analysis of Overall Proposed Compensation Structure

Control Descriptions	Compensation Scenarios								Total
	Senior Staff				Primary Staff				
	#1	#2	#3	#4	"A" Job	"B" Job	"C" Job	"D" Job	
Names of Salespeople	Greg	Keith Gary	Brian Chris	Bohdan	Todd A. Bob	Jon G. Mike Steve	Carl Jon H. Bill	Todd Y. Chad	
Number of Salespeople	1	2	2	1	2	3	3	2	16
Average Units	26.0	22.0	18.0	14.0	12.0	10.5	8.5	6.0	13.3
Total Units Per Group	26.0	44.0	36.0	14.0	24.0	31.5	25.5	12.0	213
Average Group Compensation	\$19,533	\$14,801	\$11,018	\$7,891	\$5,707	\$4,709	\$3,594	\$2,167	\$7,482
Total Group Compensation	\$19,533	\$29,601	\$22,037	\$7,891	\$11,413	\$14,127	\$10,782	\$4,333	\$119,716
Average Compensation PVR	\$751	\$673	\$612	\$564	\$476	\$448	\$423	\$361	\$562.05
Average "All-In" Gross PVR	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Total "All-In" Gross Per Group	\$78,000	\$132,000	\$108,000	\$42,000	\$72,000	\$94,500	\$76,500	\$36,000	\$639,000
Comp. Percent of "All-In" Gross	25.04%	22.43%	20.40%	18.79%	15.85%	14.95%	14.09%	12.04%	18.73%

QUESTIONS?

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