

1: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Combined gross, including F & I
- Combined net (gross less selling expenses)
- CSI

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of new and used vehicle gross (including finance and insurance)	2.0%	\$
(3)	Bonus of \$500 of combined new and used selling gross as a % of total new and used vehicle gross using the following table:	\$500	\$
	<u>Combined Net Selling Gross</u>	<u>Bonus</u>	
	• >75.0%	\$500	
	• >65.0%	\$400	
(4)	<u>CSI Bonus (based on regional statistics)</u>	<u>Bonus</u>	\$
	• 60 th percentile	\$300	
	• 80 th percentile	\$600	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Heavily weighted toward gross without much in the way of dollars rewarded for expense control elements.
- Provided the dealership is sales or market effective and has satisfactory CSI, this pay plan will work.
- No incentive based on volume.

2: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Combined gross (including F & I), less variable expenses
- \$20 per new and used vehicle retailed above 100 units
- CSI

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	4.0% of controllable gross new and used vehicle, including F & I controllable gross and new and used vehicle gross LESS: Sales compensation LESS: Policy work – new & used LESS: Advertising – new & used LESS: Floor plan	4.0%	\$
(3)	Volume bonus of \$20 per vehicle retailed over 150 units	\$20 per unit	\$
(4)	Bonus of \$500 if CSI is in the upper 25 th percentile of the current regional averages	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Well balanced pay plan.
- Controllable gross could include as a deduction 'other salaries and wages,' which would help control this large expense item.
- I like tying CSI to a regional versus national metric.
- Interesting volume bonus that kicks in only after the 200 retail unit threshold has been achieved.

3: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Staggered commission on selling gross – new and used
- Commission on combined net profit of new and used depts.
- CSI
- President’s award bonus

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission on selling gross that is not retroactive	\$	\$
	<u>Selling Gross</u>	<u>Commission % (stair step)</u>	
	• \$100K – \$200K	1.50%	
	• \$200K – \$250K	1.75%	
	• \$250K – \$300K	2.00%	
	• >\$300K	2.25%	
(3)	Commission of 5.0% of net dept. profit – new & used	5.0%	\$
(4)	Bonus on CSI: below group = \$0; >average group = \$500; highest in group = \$1,000	\$	\$
(5)	President’s award recipient: Override of 2.5% of total compensation	2.5%	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Well balanced, yet complex pay plan.
- Interesting stair step commission structure.
- Commission on net department profit is good for expense control purposes.
- Nice approach on CSI achievement recognition levels.

4: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Combined gross (no Finance and Insurance)
- Finance and Insurance paid at a different percentage
- Cost containment bonus
- Bonus on extended warranty penetration

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of new and used vehicle gross (front end only)	3.0%	\$
(3)	Commission of 1.5% of finance and insurance	1.5%	\$
(4)	Bonus of \$500 if combined new and used commission is less than 20.0% of the combined new and used vehicle gross	\$500	\$
(5)	Bonus of \$20 for each extended warranty sale in excess of 50.0% penetration	\$20 per contract	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan encourages the production of gross.
- Finance and Insurance appears to be only half as important as front end gross.
- No CSI component.
- The bonus on keeping sales commission to 20% or below is a novel approach to cost containment. Sales managers will benefit if commissions, bonuses and spiffs are strongly managed and kept within this parameter.
- No incentive based on volume. Could be an issue.
- Provided the dealership is sales or market effective, has cost controls in place, and has satisfactory CSI, this plan will work.
- Nice angle on spiffing extended warranty sales.

5: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Commission on new and used gross, less variable expenses
- Commission on reconditioning gross generated in service
- Bonus for Finance and Insurance and CSI

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.5% of new and used gross, including F & I, less variable expenses	2.5%	\$
(3)	Commission of 4.0% of reconditioning gross	4.0%	\$
(4)	Bonus on finance and insurance based on gross per retail unit as follows:	\$	\$
	<u>F & I Gross per Retail Unit</u>	<u>Bonus</u>	
	• \$601 – \$850	\$400	
	• \$851 – \$1,000	\$600	
	• \$1,001 – \$1,200	\$800	
	• Above \$1,200	\$1,200	
(5)	Bonus of \$500 if CSI is above regional average	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Well balanced with an innovative used reconditioning element.
- I like the Finance and Insurance bonus – ties everyone together.
- Expense control could be improved by including other expense categories that are controllable, but may not be variable (Example here could be other salaries and wages, flooring expense, etc.).

6: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Commission on new and used gross, including Finance and Insurance income
- Unit volume stair step bonus and 'fast start' bonus
- Expense control bonus based on beating budget

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of new and used gross, including finance and insurance	3.0%	\$
(3)	Bonus on volume of retail sales new and used based on the following table:	\$	\$
	<u>Number of Retail Units</u>	<u>Bonus per Unit</u>	
	• Below 100 units	\$0 per unit	
	• 101 – 150 units	\$5 per unit	
	• 151 units and above	\$10 per unit	
(4)	Fast start bonus of \$250 if by the 10 th of the month the dealership has delivered an average of 3 units per salesperson (3 x # of salespeople)	\$250	\$
(5)	Bonus of \$500 if variable selling expenses are a certain percentage below the budget (insert value)	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Interesting spin on unit volume bonus.
- Interesting take on expense control payment based on beating the budget expense percentage.
- Interesting insertion of a component covering 'fast start.' Total units dependant on number of salespeople (# of salespeople x 3).
- Notable absence – CSI component.

7: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- New and used vehicle gross, including Finance and Insurance
- Asset management deduction based on new and used aging standards
- CSI

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.75% of new and used vehicle gross, including Finance and Insurance	3.75%	\$
(3)	Deduction per manager per unit for new and used vehicles that exceed the days in inventory per the table below:	(\$)	(\$)
	• <u>New vehicles over 120 days in inventory</u>	<u>\$75 per unit</u>	
	• <u>Used vehicles over 60 days in inventory</u>	<u>\$150 per unit</u>	
(4)	Bonus of \$500 if CSI is above national average	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- No expense control or volume elements present.
- Enjoy seeing the approach to new and used vehicle asset management. I am normally not in favor of deductions to pay because they are negative, but I believe that this will make all variable managers pay closer attention to ordering and aging. Quite possibly an effective approach.
- CSI uses a national average measurement. I would prefer a regional, or if enough dealers, a district CSI score to measure against in order to overcome geographical variances that may exist.

8: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Gross, less controllable expenses
- Bonus for sales productivity
- CSI

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 4.0% of controllable gross profit, which is total gross less variable expenses, other salaries and wages and advertising	4.0%	\$
(3)	Bonus for salespeople is based on average retail units sold per salesperson. The table is shown below:	\$	\$
	<u>Average units per salesperson</u>	<u>Bonus per sales manager</u>	
	• Below 9 retail units	\$0	
	• 9 – 12 retail units	\$500	
	• Above 12 retail units	\$800	
(4)	Bonus of \$300 if CSI is at zone average or above	\$300	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- This plan incorporates measuring managers on how well they manage certain expenses. Included in this pay plan is more than just variable expenses, making the managers more aware of other expenses they can control.
- The sales productivity element is unique. Managers are rewarded for higher sales per salesperson, which encourages higher productivity with a lower head count. Provided the dealership is not losing sales because of headcount, this appears to be a win-win for all concerned. Really a novel approach to driving productivity.

9: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base pay
- Commission on new and used gross (without Finance and Insurance)
- Commission on Finance and Insurance
- Market effectiveness and used-to-new ratio

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.5% of new and used gross profit, excluding finance and insurance	2.5%	\$
(3)	Commission of 2.0% of finance and insurance income	2.0%	\$
(4)	Bonus of \$750 if dealer is market effective in his PMA	\$750	\$
(5)	Used-to-new ratio bonus (retail units only, not retroactive)	\$	\$
	• Ratio of below 0.6 to 1	\$0	
	• 0.61:1 – 0.80:1	\$450	
	• 0.81:1 – 0.99:1	\$800	
	• Ratio of above 1.1	\$1,200	
(6)	Bonus of \$500 if CSI is in the top 40.0% of dealers in the district	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Inclusion of a bonus on market effectiveness is notable.
- I like the used-to-new ratio to encourage used to establish a strong footprint in variable operations.
- CSI is compared with district, which is great if there is enough representation.

10: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on adjusted variable gross including floor plan deduction
- Volume bonuses for new and used vehicles

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 5.0% of total vehicle gross, less variable expenses and flooring charges	5.0%	\$
(3)	Volume bonus for both new and used vehicles retailed. The table below sets out the details:	\$	\$
	<u>Volume thresholds</u>	<u>Bonus per sales manager</u>	
	<ul style="list-style-type: none"> • New vehicles – bonus if 140 or more new units retailed for the month 	\$500	
	<ul style="list-style-type: none"> • Used vehicles – bonus if 110 or more used units retailed for the month 	\$500	

ADDITIONAL COMMENTARY:

Comments & Observations:

- The commission on total gross, less variable expenses and floor plan expense should encourage the sales managers to exercise a certain amount of expense control.
- The volume bonus for different new and used levels is notable. Instead of merely offering a volume bonus to each manager for the performance of his department, it is all tied together for the variable managers. Everyone is linked and working jointly to try to reach a common goal.
- Absence of a CSI element is noted.

11: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on adjusted variable gross, plus an override bonus based on exceeding a certain threshold
- Commission on combined net department profit
- CSI

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of total vehicle gross, less variable expenses and flooring charges	3.0%	\$
(3)	An additional commission of 0.5% will be paid if variable gross profit exceeds \$350K	0.5%	\$
(4)	Commission of 1.0% on net department profit – both new and used	1.0%	\$
(5)	An additional commission of 0.5% will be paid if the combined net department profit exceeds \$200K	0.5%	\$
(6)	Bonus of \$500 if CSI exceeds the national average	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- There is no unit volume element.
- Focus is on controllable gross – new and used.
- Interesting commission is the one based on net department profit – new and used. Great expense control focus, but there could be issues with accounting, allocation of expenses and discretionary expenses that the variable managers have no control over.
- Dealership has used an override commission for reaching certain levels for both variable gross profit and net department profit.
- A CSI bonus completes the pay plan.

12: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Draw against commissions
- Commission based on gross after controllable expense deductions
- Contracts in transit element
- CSI

NEW & USED VEHICLE MANAGER			
(1)	Draw against commissions		\$
(2)	Commission of 3.25% of controllable new and used gross profit, which includes F & I, less variable expenses, other salaries and wages, and advertising	3.25%	\$
(3)	Contracts in transit bonus: The accounting office will track the time from when the vehicle is delivered to when the payment is received and calculate the average for the month. Bonus is shown below:	\$	\$
	<u>Average cycle time for retail sales (sales to collected funds)</u>	<u>Bonus per sales manager</u>	
	• Above 6 days	\$0	
	• 4 – 6 days	\$300	
	• Below 4 days	\$600	
(4)	Bonus of \$500 if CSI is in the top 35.0% of dealers in the district	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Well balanced with a combination of gross and expense control features, however no unit volume element.
- Contracts in transit: This is a unique element that has been introduced to specifically address contracts in transit performance and help accelerate cash flow. It tracks the time from when a deal is consummated to when the money is received – cycle time – and pays bonuses when this cycle time is compressed.

13: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission based on gross and Finance and Insurance income generated
- Stair step graduated bonus based on volume

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.5% of variable gross (will increase if the volume increases – see below)	2.5%	\$
(3)	Volume bonus based on retail units delivered per the table below:	\$	\$
	<u>Retail units</u>	<u>Incremental commission %</u>	
	• Above 80 retail units	Additional 0.5%	
	• Above 100 retail units	Additional 0.5%	
	• Above 120 retail units	Additional 1.0%	
(4)	Bonus of \$500 if CSI is ranked in the most recent survey as one of the top 40.0% of dealers in the district	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The pay plan is straightforward and easy to mentally compute.
- The stair step graduated bonus based on volume is a slight variation on the normal volume bonus, but is simple to understand and it is quite easy to mentally calculate the impact.
- CSI must be in the top 40th percentile, which means the sales managers have to be a touch above average.

14: RECIPIENT: New & Used Vehicle Manager
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PAY ELEMENTS: The following elements are included:

- Base
- New and used vehicle gross, including Finance and Insurance after deducting variable expenses
- Commission on customer pay and internal labor gross
- CSI

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of new and used vehicle gross after deducting variable expenses	3.0%	\$
(3)	Commission of 4.0% of customer pay labor gross	4.0%	\$
(4)	Commission of 4.0% of internal labor gross	4.0%	\$
(5)	Bonus of \$500 if CSI is equal to or above national average	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Very interesting pay plan that rewards the sales managers for customer pay and internal labor gross. This is something very different and links sales to service in a most direct manner – customer pay and reconditioning.
- A commission on vehicle gross after variable expenses should help keep expenses in line.
- Could change CSI bonus element so as to compare the dealership's numbers with regional rather than national dealerships.

15: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission based on gross and Finance and Insurance income generated
- An expense control bonus that kicks in when variable selling expenses are below 35.0% of department gross
- Finance and Insurance bonus if gross per retail exceeds \$1,000
- Additional gross bonus if more than 200 units sold

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of variable gross	3.0%	\$
(3)	Expense control bonus of \$500 if new and used selling expenses are below 35.0%	\$500	\$
(4)	Bonus of \$1,000 if F & I gross per retail unit exceeds \$1,000	\$1,000	\$
(5)	Additional commission of 1.0% of variable gross if retail units exceed 200 units	1.0%	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The expense control mechanism is an interesting slant in trying to manage variable selling expenses. This should make managers more deliberate with discretionary expenses.
- A Finance and Insurance threshold that the dealership should concentrate on is \$1,000 per retail unit. This bonus should increase management awareness of Finance and Insurance productivity and push everyone to work as a team to reach that threshold.
- Interesting and significant bonus that kicks in when the dealership sells more than 200 units.
- Absence of a CSI element.

16: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on total variable gross (based on a gross per unit grid)
- Volume bonus

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission paid on total gross profit – new and used – and will vary according to the table below:	\$	\$
	<u>Gross per Unit - Front</u>	<u>Commission Structure</u>	
	• New & used gross per unit below \$1,000	2.0%	
	• \$1,000 – \$1,250 new & used gross per unit	2.25%	
	• \$1,251 – \$1,500 new & used gross per unit	2.50%	
	• New & used gross per unit above \$1,500	2.75%	
(3)	Volume bonus – based on units sold	\$	\$
	<u>Units Sold</u>	<u>Bonus Amount</u>	
	• 100 – 150 retail units sold	\$500	
	• Over 150 retail units sold	\$1,000	

ADDITIONAL COMMENTARY:

Comments & Observations:

- The commission structure is dependent on front end gross per unit – new and used combined. There is a lot of room for ‘interpretation’ here, such as rebate money, factory money and a mix between new and used vehicles.
- Volume bonus is a good counterbalance to the GPU component.

17: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Unit bonus per new and used vehicle sold
- Commission is on total variable gross (including F & I), less specific expenses
- CSI with a 'give' and 'takeaway' component
- Additional bonus on extended warranty and service contract sales

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Bonus of \$15 for every new and used vehicle retailed	\$15 per unit	\$
(3)	Commission of 2.5% of the new and used vehicle gross after deducting salespeople commission and other salaries and wages	2.5%	\$
(4)	CSI bonus based on the following table (If above regional average, it is an addition. If below, it is a deduction)	\$	\$
	<u>Above regional average by:</u>	<u>Bonus</u>	
	• Over 10% above	\$500	
	• Over 20% above	\$1,000	
	• Below 10%	(\$500)	
	• Below 20%	(\$1,000)	
(5)	\$10 bonus for every extended service contract and service maintenance contract that is sold. Above 45 sales, the bonus increases to \$20 per contract	\$10 or \$20 per contract	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Interesting \$15 per retail unit bonus.
- The CSI pay element is different to most. It rewards if above regional average and deducts if below.
- Smart to encourage extended service and maintenance contract sales.

18: RECIPIENT: New & Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on new and used vehicle gross
- Additional commission if sales commission is under 22.0%
- Bonus on new and used inventory aging levels

NEW & USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of new and used variable gross profit	3.0%	\$
(3)	A bonus based on units in inventory using the following table:	\$	\$
	a) <i>New</i> : No units over 120 days in inventory	\$500	
	b) <i>Used</i> : No units over 60 days in inventory	\$500	
(4)	An additional 0.5% commission on new and used variable gross if sales commission is less than 22.0% of new and used gross	0.5%	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The inventory aging bonus for new and used is different, but well thought out. What is notable is making new and used separate objectives, thus allowing both to be accountable elements with bonus amounts riding on each.
- The additional commission override if sales commissions are below 22.0% is a good strategy in trying to keep a lid on this expense.
- No CSI element in place.

19: RECIPIENT: New & Used Vehicle Manager (Also F & I Manager)

PAY ELEMENTS: The following elements are included:

- Base
- Commission on joint pool to be shared with new, used and Finance and Insurance managers
- Volume bonus
- CSI

NEW & USED VEHICLE MANAGER (Also F & I Manager)			
(1)	Base (This varies according to the manager and the department)		\$
(2)	Bonus pool: Commission of 9.0% of a bonus pool that will be shared with the managers in the following proportions: new vehicle – 35.0%; used vehicle 35.0%; finance and insurance 30.0%	9.0%	\$
	The bonus pool is comprised of the following elements:	\$	\$
	<ul style="list-style-type: none"> • New vehicle gross 		
	<ul style="list-style-type: none"> • Used vehicle gross 		
	<ul style="list-style-type: none"> • Finance and insurance 		
(3)	Bonus pool of \$30 per vehicle for selling in excess of 200 vehicles (commission is shared in the same proportion as above)	\$30	\$
(4)	Bonus of \$500 if CSI is above national average	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Interesting plan joining new, used and F & I managers together. Quite innovative. These percentages could be shifted around depending on the contribution and the relative importance each department has to the other.
- Interesting bonus pool per vehicle in place for reaching certain levels of unit sales.
- Standard CSI element in place.

1: RECIPIENT: New Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- New and used vehicle gross, including Finance and Insurance
- Volume bonus grid for new vehicles
- Bonus on inventory management

NEW VEHICLE MANAGER				
(1)	Base		\$	
(2)	Commission on new and used vehicle gross, including F & I, based on the following table:		\$	\$
	<u>Gross Profit</u>	<u>Commission %</u>		
	• Under \$300K	1.7%		
	• \$300K – \$350K	2.0%		
	• \$350K – \$400K	2.5%		
	• Above \$400K	3.0%		
(3)	Bonus on new vehicle volume:			
	• 100 – 150 retail units	\$5 per vehicle	\$5 per vehicle	\$
	• Above 150 retail units	\$20 non-retroactive	\$20 per vehicle	\$
(4)	New inventory management bonus of \$500 if there are no vehicles over 120 days in inventory		\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The commission on gross is a combined gross encouraging teamwork, and has a graduated commission structure.
- Volume bonus is based on new vehicle sales.
- Bonus on new inventory management that rewards managers for keeping the aging of their new vehicles to below 120 days.

2: RECIPIENT: New Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on new vehicle gross and net department profits
- Commission on unit objective and volume bonus
- CSI based on percentile comparison to regional peers

NEW VEHICLE MANAGER				
(1)	Base			\$
(2)	Commission of 2.0% of new vehicle sales gross, including F & I	2.0%		\$
(3)	Commission of 8.0% of new vehicle net department profit	8.0%		\$
(4)	Commission on objective attainment: 100% = \$1,000; above 110% = \$1,500	\$		\$
(5)	CSI bonus based on CSI percentile attainment as shown on the table below:	\$		\$
	<u>Percentile Attainment</u>	<u>Bonus</u>		
	• Top 40% of dealers in the region	\$500		
	• Top 20% of dealers in the region	\$1,000		
	• Top 10% of dealers in the region	\$1,500		
(6)	Volume bonus above 150 retail units	\$20 per retail unit	\$20	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- This pay plan has a nice combination to it. Includes variable gross element, but nothing on used to encourage teamwork with that department.
- Driving net department profit is an important element in this pay plan.
- CSI uses attainment levels based on comparisons with regional peers. Makes sense and the ante is raised as the CSI scores start to separate them from their peers.

3: RECIPIENT: New Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Combined vehicle gross, including Finance and Insurance
- New vehicle variable gross
- Bonus on net department profit if it exceeds a certain amount
- Sales staff turnover

NEW VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of new and used vehicle gross, including F & I	2.0%	\$
(3)	Commission of 3.0% of adjusted new vehicle gross after selling expenses (New vehicle department only)	3.0%	\$
(4)	Bonus of \$1,000 if net new vehicle department profit exceeds \$40K	\$1,000	\$
(5)	Bonus of \$1,000 if sales staff turnover is under 50% for the year (paid annually)	\$1,000	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Good mix between new and used, and includes Finance and Insurance income.
- Bonus of \$1,000 on net new vehicle department profit over \$40,000 may create some expense recognition and allocation issues with accounting and perhaps the used vehicle department (They should have something similar in place to level the playing field).
- Sales staff turnover element is something that is not often included and it may lead to improved sales hiring and retention practices.
- No CSI element in place.

4: RECIPIENT: New Vehicle Manager

PAY ELEMENTS: The following elements are included:

- No base pay
- Commission on new
- Commission on used
- Commission on F & I
- Bonus on year-over-year new and used gross performance

NEW VEHICLE MANAGER			
(1)	No base		\$0
(2)	Commission of 1.5% of new vehicle gross before F & I	1.5%	\$
(3)	Commission of 0.5% of used vehicle gross before F & I	0.5%	\$
(4)	Commission of 0.5% of new and used F & I gross (after charge backs)	0.5%	\$
(5)	Bonus of \$1,000 if new and used gross is 5.0% above the average for the past three years	\$1,000	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- There is no base pay, so it is indeed a totally variable driven pay plan.
- Pay plan has a nice combination of new, used and F & I to it.
- Interesting bonus in place for reaching certain levels of new vehicle gross, including Finance and Insurance.
- Bonus for increase over the average for the past three years would work well in a stable sales environment, something that does not always occur in the retail auto landscape.
- No CSI element in place.

5: RECIPIENT: New Vehicle Manager
--

PAY ELEMENTS: The following elements are included:

- Base
- Commission on new and used vehicle gross after variable costs
- Bonus if certain levels of new vehicle gross are achieved
- CSI

NEW VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of new and used variable gross profit	2.0%	\$
(3)	Bonus based on reaching certain levels of gross in the new vehicle department (including finance and insurance) as shown below:	\$	\$
	<u>Gross – New Vehicle Department Only</u>	<u>Bonus</u>	
	• Below \$175K	\$0	
	• Above \$175K	\$500	
	• Above \$200K	\$1,000	
	• Above \$250K	\$1,500	
(4)	Bonus of \$350 if CSI is above regional average	\$350	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan has a nice combination of new and used to it.
- Interesting bonus in place for reaching certain levels of new vehicle gross, including Finance and Insurance.
- No CSI element in place.

6: RECIPIENT: New Vehicle Manager
--

PAY ELEMENTS: The following elements are included:

- Base
- Bonus on attainment levels – variable gross profit new
- Commission on variable gross less variable expenses

NEW VEHICLE MANAGER			
(1)	Base		\$
(2)	Bonus based on the following levels of attainment:	\$	\$
	<u>Variable Gross Profit (Including F & I – New)</u>	<u>Bonus</u>	
	• Below \$100K	\$500	
	• Above \$100K	\$750	
	• Above \$150K	\$1,000	
	• Above \$250K	\$1,500	
(3)	Commission based on variable gross, less variable selling expenses	\$	\$
	<u>Variable Gross, Less Selling Expenses</u>	<u>Commission %</u>	
	• Above \$100K	2.0%	
	• Above \$175K	2.5%	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Somewhat one dimensional, as it deals only with new vehicle department, which may create a vertical outlook of variable operations only looking to new vehicles.
- No CSI element in place.

7: RECIPIENT: New Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on new vehicle gross, after variable costs
- Commission for new vehicle inventory management

NEW VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.5% of new vehicle gross, less variable expenses	2.5%	\$
(3)	Commission of an additional 0.5% if the dealership has no vehicles that are over 120 days old	0.5%	\$
(4)	Commission of an additional 0.5% if the dealership has no vehicles that are over 90 days old	0.5%	\$
(5)	Dealer trade deduction of \$20 for every dealer trade made in the month	(\$20)	(\$)
(6)	Bonus of \$500 if CSI is equal to or above national average	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Vertical pay plan that does not include any used vehicle elements.
- Inventory management commissions in place for keeping vehicles in stock under 90 day and 120 day old levels.
- The dealer trade deduction is probably to counterbalance the new vehicle aging commission and it may lead to having an effective, structured and functional vehicle ordering system in place.
- CSI is measured against national versus regional metrics.

8: RECIPIENT: New Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- New vehicle gross, including Finance and Insurance
- Used vehicle gross, including Finance and Insurance
- CSI

NEW VEHICLE MANAGER			
(1)	Base, plus		\$
(2)	Commission of 3.0% of new vehicle gross, including finance and insurance	3.0%	\$
(3)	Commission of 1.0% of used vehicle gross, including finance and insurance	1.0%	\$
(4)	Bonus of \$300 if CSI is in the top half of the dealers in their district	\$300	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan commission structure pushes the new vehicle manager to participate in used, albeit at a lower percentage.
 - There is nothing on volume, which may force the sales management staff to perhaps concentrate on gross margin at the expense of units.
 - Little incentive to watch and manage expenses, as there is no component that directly addresses expenses.
 - Measuring CSI against the district is good as long as it is a representative sample.
-

9: RECIPIENT: Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on combined variable gross
- Commission on used vehicle gross, after controllable expenses
- Bonus on the ratio of used vehicles to new vehicles retailed for the month

USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 1.5% of new and used variable gross profit	1.5%	\$
(3)	Commission of 3.0% of used vehicle gross, less used controllable expenses	3.0%	\$
(4)	Bonus based on the used-to-new ratio experienced by the dealership (retail only) per the table below:	\$	\$
	<u>Used-to-New Ratio</u>	<u>Bonus</u>	
	• Below 0.60 1:0 used-to-new ratio	\$0	
	• 0.61:1 – 0.84:1 used-to-new ratio	\$500	
	• 0.85:1 – 0.99:1 used-to-new ratio	\$1,000	
	• Above 1:1 used-to-new ratio	\$1,500	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan has a nice combination of new and used to it.
- I think the used-to-new ratio bonus has some merit to it – interesting approach to try and improve used vehicle retail sales without impacting new.
- No F & I element

10: RECIPIENT: Used Vehicle Manager
--

PAY ELEMENTS: The following elements are included:

- Base
- Commission on used variable gross
- Commission on combined new and used gross
- Bonus on used units delivered at various levels

USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of adjusted used variable gross, which is used gross plus used F & I less used variable, used other salaries and wages, and used advertising	3.0%	\$
(3)	Commission of 1.0% of combined new and used vehicle gross, including finance and insurance	1.0%	\$
(4)	Bonus on units retailed –payment made for each level attained – see below for details:	\$	\$
	<u>Used Retail</u>	<u>Bonus</u>	
	• Above 60 units	\$500	
	• Above 80 units	\$500	
	• Above 100 units	\$500	
	• Above 120 units	\$500	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan blends in new and used. The used vehicle manager is still going to be reimbursed on F & I and the controllable gross on the new vehicle side.
- The bonus on unit sales levels places some emphasis on used unit sales.

11: RECIPIENT: Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on used variable
- Commission on combined new and used variable
- Additional commission on combined gross performance above a certain level
- Used vehicle inventory management

USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 3.5% of used variable gross, less selling expenses	3.5%	\$
(3)	Commission of 2.0% of combined new and used variable gross, less controllable expenses	2.0%	\$
(4)	Commission of an additional 0.5% if the gross profit generated in the used vehicle department, plus finance and insurance, exceeds \$300K	0.5%	\$
(5)	Bonus of \$500 if there are no units in inventory that exceed 70 days	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- It is a simple pay plan that balances both new and used.
- The additional bonus to lift earnings with robust used vehicle gross performance is appealing.
- There is no unit bogey.
- The bonus for keeping the used vehicle inventory under 70 days is a sound way to keep aging under control.

12: RECIPIENT: Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on combined new and used variable gross
- Commission on used variable gross, less used variable expenses
- Bonus on CPO units
- Bonus on sales made that meet a days in inventory and a gross per unit threshold

USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of combined gross on new and used vehicle departments	2.0%	\$
(3)	Commission of 5.0% of used vehicle gross, less used variable expenses	5.0%	\$
(4)	Bonus of \$30 for all certified pre-owned units sold for the month	\$30	\$
(5)	Bonus of \$50 for all used vehicles sold within the first 30 days at a gross per unit that exceeds \$1,500	\$50	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Has a good balance between new and used gross.
- The used vehicle manager can sharply increase his pay if he has good used vehicle gross and controls expenses.
- I was pleasantly surprised by bonus based on CPO sales.
- The recognition that the more vehicles that are sold within the first 30 days will enjoy higher grosses and reduce aging problems downstream appears as a welcome addition to this pay plan. In order for this to work, the used vehicles must be moved smartly through reconditioning and placed front line ready ASAP in order for the manager to earn this per car bonus.

13: RECIPIENT: Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on new and used gross
- Bonus on all used vehicle extended service contracts
- Bonus on sales below \$10K and CPO units
- Bonus on volume over a certain threshold
- Bonus deduction for units over 60 days old

USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of combined new and used gross	2.0%	\$
(3)	Bonus of \$40 for all extended service contracts sold on used vehicles	\$40	\$
(4)	A bonus of \$1,000 will be paid if at least the following monthly category sales as a percent of total used retail sales occurs:	\$1,000	\$
	<u>Category of Vehicles</u>	<u>% of Total Retail Sales</u>	
	<ul style="list-style-type: none"> • Sales of vehicles having a cost of under \$10K 	>15% of monthly retail sales	
	<ul style="list-style-type: none"> • Sales of certified pre-owned units 	>20% of monthly used retail sales	
(5)	Bonus of \$500 if used retail vehicle sales exceed 120 units	\$500	\$
(6)	Commission of \$25 per used unit where gross per unit exceeds \$1,800	\$25	\$
(7)	Bonus deduction of \$50 per unit for all vehicles that exceed 60 days	(\$50)	(\$)

ADDITIONAL COMMENTARY:

Comments & Observations:

- Great pay plan that combines a lot of various notable elements, such as CPO and under \$10,000 units, extended service contracts on used (this is good for the service department), and an aging deduction for vehicles over 60 days old.

14: RECIPIENT: Used Vehicle Manager
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PAY ELEMENTS: The following elements are included:

- Base
- Commission on new and used gross and net department profit
- Bonus on reaching objective
- Bonus on days supply

USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of combined new and used gross	2.0%	\$
(3)	A bonus of \$1,000 once the used vehicle gross profit objective has been attained. This objective will vary according to the month	\$1,000	\$
(4)	Commission of 7.0% of the used vehicle department net profit	7.0%	\$
(5)	A bonus based on days supply levels that is calculated at the month end and excludes vehicles traded in during the last few days of the month that are to be wholesaled per the table below:	\$	\$
	<u>Days Supply</u>	<u>Bonus</u>	
	• Over 60 days supply	\$0	
	• 50 – 60 days supply	\$300	
	• 45 – 50 days supply	\$500	
	• Under 45 days supply	\$750	

ADDITIONAL COMMENTARY:

Comments & Observations:

- This pay plan combines new and used with some detailed used vehicle metrics.
- Makes the used vehicle manager try to hit the used vehicle gross objective that may be reset each month.
- Days supply (not aging) is a good measure to create a reward.

15: RECIPIENT: Used Vehicle Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on new and used vehicle gross and net department profit
- Bonus on achieving gross per unit objective
- Write down policy of aged units
- Deduct for cycle time deficiency

USED VEHICLE MANAGER			
(1)	Base		\$
(2)	Commission of 2.5% of combined gross	2.5%	\$
(3)	Bonus of \$1,000 should the front and back gross exceed \$2,700 per unit	\$1,000	\$
(4)	Bonus of \$40 per vehicle after 150 used vehicles have been retailed	\$40 per vehicle	\$
(5)	Vehicles over 60 days old will be written down by 20.0% - no exceptions - at the month end. The write off will be reflected in the inventory adjustment account	20.0% write down	\$
(6)	A deduction of \$30 per vehicle will be assessed for every vehicle that exceeds the 72 hour reconditioning turnaround (Measured from time of trade in to when in inventory ready for resale)	(\$30 per occurrence)	(\$)

ADDITIONAL COMMENTARY:

Comments & Observations:

- Plan combines new and used.
- Makes recipients try to hit the used vehicle gross objective that may be reset each month. The bonus after 150 vehicles is interesting.
- Write down policy should possibly help inventory management habits.
- The \$30 deduction is a great idea conceptually. The real test here is to have a tracking mechanism in place that can easily and accurately track this turnaround time, producing credible results. I recommend using an open repair order listing that tracks when the Internal RO is opened and closed.

1: RECIPIENT: Finance & Insurance Producer

PAY ELEMENTS: The following elements are included:

- Base
- Commission on gross less service and maintenance contracts
- Bonus base on 'products per delivery' (PPD)
- Commission on extended service contracts
- CSI

FINANCE & INSURANCE PRODUCER			
(1)	Base		\$
(2)	Commission of 8.0% on F & I income generated, less extended warranty and maintenance contract gross and after taking into account all charge backs	8.0%	\$
(3)	Commission of 12.0% on the gross, less charge backs for sales of extended warranties and service maintenance contracts	12.0%	\$
(4)	Bonus of \$750 if products per delivery (PPD) is 1.0 or over	\$750	\$
(5)	Bonus of \$500 if sales CSI is above national average	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Plan looks to a higher level compensation for the sale of extended warranties and service maintenance plans, as these products are important for service retention. They are also good downstream profit generators as customers tend to come back after having purchased these products.
- Focuses on the tracking and rewarding of the sale of products per delivery (PPD) that does not include finance reserve.
- CSI included.

2: RECIPIENT: Finance & Insurance Producer

PAY ELEMENTS: The following elements are included:

- Base
- Commission on gross that increases as gross increases

FINANCE & INSURANCE PRODUCER			
(1)	Base		\$
(2)	Commission percentage that varies according to the finance and insurance income produced, less charge backs as shown on the table below:	\$	\$
	<u>F & I Income</u>	<u>Commission % (retroactive)</u>	
	• Zero to \$50K	5.0%	
	• Above \$50K	6.0%	
	• Above \$100K	7.0%	
	• Above \$125K	8.0%	

ADDITIONAL COMMENTARY:

Comments & Observations:

- 'Tough' elements to this pay plan:
 - The plan is inclined to lead to a 'feast or famine' scenario.
 - This department is reliant on the level of new and used vehicle sales. As business improves, so does the ability to increase F & I remuneration.
 - During slow times, the F & I producer will go through very tough times and this, in turn, makes it difficult to attract and retain talented producers.
- The pay should have some mechanism that rewards F & I producers for doing a good job with the current level of dealership business. This pay plan unfortunately does not accomplish this.

3: RECIPIENT: Finance & Insurance Producer

PAY ELEMENTS: The following elements are included:

- Base
- Commission on gross
- Lease units
- Aftermarket bonus
- CSI

FINANCE & INSURANCE PRODUCER			
(1)	Base		\$
(2)	Commission of 10.0% on finance and insurance income net of charge backs	10.0%	\$
(3)	Bonus of \$150 for all lease units	\$150	\$
(4)	Bonus of \$30 for all aftermarket products sold over and above the commission	\$30	\$
(5)	Bonus of \$200 if sales CSI is above xxxxx (insert value)	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Fairly simple without much in the way of tweaking behavior or performance.
- Pays on leasing a fixed amount to compensate for lack of suitable up sell opportunity on this type of transaction.
- Creates added incentive to sell aftermarket products.
- CSI bonus is commendable.

4: RECIPIENT: Finance & Insurance Producer

PAY ELEMENTS: The following elements are included:

- Base
- Commission on individual performance with an opportunity to increase when penetration levels are attained
- Bonus on leases
- Bonus on gross per unit per producer

FINANCE & INSURANCE PRODUCER			
(1)	Base		\$
(2)	Commission of 10.0% of the total of the producer's F & I production for the month	2.0%	\$
(3)	The above commission of 10.0% will be increased by increments of 1.0% for the following product penetration levels attained:	\$	\$
	<u>Product</u>	<u>Penetration Requirement</u>	
	• Finance penetration	70.0%	
	• Extended service contracts	60.0%	
	• Aftermarket products	15.0%	
(4)	Bonus of \$100 for lease sales	\$100	\$
(5)	Bonus of \$500 if gross per retail unit is above \$1,000 for the individual producer	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan isolates individual performance only.
- Increased commission percentage as penetration levels are achieved focuses on product selling as well.
- Bonus on gross in excess of \$1,000 pushes the producer to make the best of every opportunity.

5: RECIPIENT: Finance & Insurance Producer

PAY ELEMENTS: The following elements are included:

- Base
- Total department commission
- Bonus on sold '*products per delivery*' (PPD)
- Commission based on gross F & I per retail unit

FINANCE & INSURANCE PRODUCER			
(1)	Base		\$
(2)	Commission of 2.0% of the total F & I production of the dealership	2.0%	\$
(3)	Bonus of \$500 if ' <i>products per delivery</i> ' (PPD) exceeds 1.0 per retail deal	\$500	\$
(4)	Commission of individual production for the month based on GPU per the table below:	\$	\$
	<u>Producer gross per retail average</u>	<u>Commission %</u>	
	Above \$600 per retail unit	4.0%	
	Above \$800 per retail unit	5.0%	
	Above \$1,000 per retail unit	6.0%	
	Above \$1,200 per retail unit	7.0%	
(5)	Bonus of \$175 for each leased unit	\$175	\$
(6)	Bonus of \$20 for each individual delivery made by the producer	\$20	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan combines team and individual performance.
- Isolates '*products per delivery*' (PPD) and gross per unit performance levels.
- \$20 for each delivery is an interesting compensation piece.

6: RECIPIENT: Finance & Insurance Producer

PAY ELEMENTS: The following elements are included:

- Base
- Bonus on warranty sales over a certain penetration level
- Bonus on lease sales
- Commission amount dependent on gross per retail unit

FINANCE & INSURANCE PRODUCER			
(1)	Base		\$
(2)	Bonus of \$100 for lease sales	\$100	\$
(3)	Bonus of \$300 for every warranty above the 50.0% penetration level	\$300	\$
(4)	Commission on F & I gross (after charge backs) based on the following table:	\$	\$
	<u>F & I gross per retail sale</u>	<u>Commission % to be paid</u>	
	Under \$800	6.0% of F & I income	
	Over \$800	8.0% of F & I income	
	Over \$1,000	8.0% of F & I income	
	Over <u>\$1,200</u>	<u>10.0%</u> of F & I Income	
(5)	Bonus of \$300 if sales CSI is above national average	\$300	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The additional bonus over the 50.0% penetration level on warranty sales is a solid incentive to sell this important product.
- Tying the level of the commission % to F & I gross per retail unit will reward hard work and diligent selling.

7: RECIPIENT: Finance & Insurance Producer (3 producers)

PAY ELEMENTS: The following elements are included:

- No base
- Producers split the combined F & I gross
- Commission of individual performance
- Bonus predicated on a commission of 16.0% of total gross before additional bonuses can be earned

FINANCE & INSURANCE PRODUCER (3 producers)			
(1)	No base		\$0
(2)	Commission pool of 4.0% is split evenly between the 3 finance and insurance producers	4.0% ÷ 3	\$
(3)	Commission of 10.0% on individual producer's performance	10.0%	\$
(4)	Bonus of \$200 for each producer if CSI exceeds regional average	\$200	\$
(5)	Bonus to be shared amongst the producers equally should the dollar amount of the total compensation as a percent of net F & I gross total less than 16.0%	<16.0%	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan combines team and individual performance.
- It has a CSI element that can be earned by each producer based on sales CSI.
- Interesting cost reward element in place. If the total compensation in F & I is less than 16.0%, the difference will be split equally amongst the producers up to that 16.0% level. This keeps expenses from falling out-of-line because of bonuses. Maybe it could be split 50/30/20 in terms of highest to lowest producer to base the reward more on individual performance.

8: RECIPIENT: Finance & Insurance Producer (3 producers)

PAY ELEMENTS: The following elements are included:

- Base
- Commission on 'team' F & I income and individual performance, using 'products per delivery' (PPD) as a commission % factor
- Service contract bonus if objective is met

FINANCE & INSURANCE PRODUCER (3 producers)			
(1)	Base		\$
(2)	Commission of 2.0% of total department F & I income (after charge backs) is split amongst the 3 producers	2.0% ÷ 3	\$
(3)	Commission based on individual production using monthly average of 'products per delivery' (PPD) as the basis	\$	\$
	<u>Average # of Products per Delivery</u>	<u>Commission % (retroactive)</u>	
	• Under 0.6 products per delivery	5.0%	
	• Over 0.6 products per delivery	6.0%	
	• Over 0.9 products per delivery	7.0%	
	• Over 1.10 products per delivery	10.0%	
(4)	Bonus of \$30 for every extended warranty that is sold	\$30	\$
(5)	Bonus of \$500 if service contract goal of 40.0% is met	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Sound combination of team commission coupled with individual performance.
- I like the 'products per delivery' (PPD) element and the service contract bonus above 40.0% penetration.

9: RECIPIENT: Finance & Insurance Producer

PAY ELEMENTS: The following elements are included:

- Commission plus bonus for extended warranties and bonus that equals the F & I gross per unit
- Reduction of commission % based on cycle time

FINANCE & INSURANCE PRODUCER			
(1)	No salary, but a draw against commissions		
(2)	Commission of 10.0% of finance & insurance gross	10.0%	\$
(3)	Bonus based on extended warranty and maintenance contracts above 50.0% penetration	\$	\$
	<u>Penetration</u>	<u>Bonus</u>	
	50% – 60%	\$500	
	Above 60%	\$1,000	
(4)	Bonus equal to the back end gross (after charge backs) – will only be triggered if above \$1,100 per unit	\$	\$
(5)	Reduction of commission based on average contracts in transit for the month – average # of days from delivery to receipt of money		
	<u>Average Days</u>	<u>Reduction of Commission</u>	\$
	Over 4, but less than 6 days	1.0% deduct – Commission is now 9.0%	
	7 days and over	2.0% deduct – Commission is now 8.0%	

ADDITIONAL COMMENTARY:

Comments & Observations:

- The commission is enriched by a bonus on extended warranty and maintenance contracts.
- Bonus equaling the gross per unit simply links the two together.
- Deduction off the commission basis of 10.0% for poor management of contracts in transit cycle time. The dealership must have a robust reporting mechanism to track every retail transaction from delivery to proceeds received, while calculating the average days.

1: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Draw against commissions
- Graduated commission percentage payout that is predicated on the vehicle sales made for the previous month
- Customer satisfaction element

NEW & USED SALESPEOPLE				
(1)		Draw against commissions		
(2)		Commission of 25.0% of new and used payable gross	25.0%	\$
	(A)	<i>New vehicle payable gross is:</i> – Vehicle gross which includes rebates for that vehicle (if applicable), less holdback and pack		
	(B)	<i>Used vehicle payable gross is:</i> – Vehicle gross, less \$600 pack		
(3)		Graduated and retroactive commission pay plan that is based on the prior month's volume per the table below:	\$	\$
		<u>Unit sales requirement for the following month's pay plan</u>	<u>Commission %</u>	
		• Less than 10 units	20.0%	
		• 10 – 12 units	25.0%	
		• 13 – 15 units	30.0%	
		• Above 15 units	35.0%	
(4)		Bonus of \$300 if CSI is at district average or above	\$300	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The retroactive pay plan is a little different, and good. Next month's commission % is based on this month's unit volume. May want to consider a 3 month average if need be to iron out fluctuations.
- No F & I participation – may be worth considering lowering front end commissions and including F & I.

2: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- All the gross (N, U and F & I) for the month is pooled
- No pack, no holdback
- Volume bonus
- CSI

NEW & USED SALESPEOPLE			
(1)	Draw against commissions		
(2)	Sales commission of 15.0% on the total of the new, used and finance income generated for the month by that particular salesperson	15.0%	\$
	There are no minimum commissions, except those that are posted on the board by the sales management team		
(3)	Volume bonus based on the following table:	\$	\$
	<u>Unit Sales</u>	<u>Bonus</u>	
	• Over 11 units	\$400	
	• Over 15 vehicles retail	\$800	
(4)	Bonus of \$200 if CSI is 2 points above zone average	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Radically different, but makes sense. The total gross generated by a salesperson *for the month* is used as the payable gross. Compensation is not calculated on a deal-by-deal basis.
- No minimum commissions – low grosses are counted as part of the total monthly gross production.
- The volume component makes sense and acts as a counter balance to taking some low gross deals.
- CSI slightly different – dealer expect 2 points above zone before bonus money kicks in.

3: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Salary plus graduated % based on volume and 'Top of Class' bonus

NEW & USED SALESPEOPLE			
(1)	Salary		\$500
(2)	Commission based on unit production for the prior month. The table below sets out the commission details for the next month:	\$	\$
	<u>Units sold</u>	<u>Commission % for next month</u>	
	• 1 – 7 units	17.5%	
	• 8 – 10 units	20.0%	
	• 11 – 14 units	22.5%	
	• 15 – 17 units	25.0%	
	• 18 units and above	27.5%	
(3)	Eligible for 'Top of Class' bonus, which is a bonus paid monthly	\$	\$
	<u>'Top of Class' category</u>	<u>Bonus</u>	
	• Highest gross achieved	\$500	
	• Most units retailed	\$800	
	• Most total gross generated	\$1,000	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Salary – small, unusual, but welcome for many.
- Next month's commission is predicated on this month's volume. This practice should lead to volume consistency.
- 'Top of Class' is an interesting bonus strategy – highly competitive.

4: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Commission on all gross with small pack on used
- Commission on customer pay labor
- CSI

NEW & USED SALESPEOPLE			
(1)	Draw		
(2)	Commission of 20.0% after holdback (The only pack is \$300 on used)	20.0%	\$
(3)	Bonus on F & I level per transaction – see table below for details:	\$	\$
	<u>F & I Gross</u>	<u>Bonus</u>	
	• Above \$800	\$80	
	• Above \$950	\$95	
	• Above \$1,100	\$110	
	• Above \$1,400	\$150	
(4)	Commission of 3.0% paid to salespeople on all customer pay labor that is generated by their customers in the service drive	3.0%	\$
(5)	Bonus of \$400 if CSI is in the top 40% of the average of their district dealers	\$400	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The payment to salespeople on the labor their customers produce in service will:
 - Create more 'balance' for their pay.
 - Make them more proactive with encouraging their customers to visit the service department.
 - Improve their pay as they increase their customer base.
 - Create more opportunities for repeat and referral business.
- Like the spiff on F & I and the conditional CSI bonus

5: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Standard commission with volume bonus
- 'Fast start' bonus
- First time service appointment show rate bonus
- CSI element, plus aftermarket sales bonus

NEW & USED SALESPEOPLE			
(1)	Draw		
(2)	Commission of 25.0% of payable gross, which is gross less holdback and pack – new and used	25.0%	\$
(3)	'Fast start' bonus of \$600 if salesperson sells 5 vehicles by the 10 th	\$600	\$
(4)	Volume bonus of \$50 for each sale in excess of 12 retail units; \$70 for sales in excess of 15 retail units	\$50 or \$70	\$
(5)	Bonus of \$300 if >80.0% of their customers show up for their first service appointment	\$300	\$
(6)	Bonus of \$300 if CSI is at average or above the national average	\$300	\$
(7)	Bonus of \$50 for all aftermarket products that are included in the sale	\$50	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- First time show rate in service is an interesting pay plan element that is unusual and acknowledges the importance of getting customers to come in for their first service appointment. Will lead to adopting a more active delivery for each customer that includes showcasing service. Will improve customer retention.
- Fast start bonus is an effective way to try to get salespeople to have a good month by starting out strongly for the month.
- Commission on payable gross is standard, but the volume bonus is a good idea to try to improve salesperson productivity.
- CSI element is against national average – rather have it against regional average.

6: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Different commission % for new and used
- Finance and insurance participation
- Volume bonus
- Mini commission and CSI (based on 5 closest competitors)

NEW & USED SALESPEOPLE			
(1)	Draw against commissions		
(2)	New vehicle commission of 25.0% after \$300 pack and holdback	25.0%	\$
(3)	Used vehicle commission of 20.0% after \$500 pack	20.0%	\$
(4)	F & I commission of 5.0% on income generated	5.0%	\$
(5)	Volume bonus based on the following table:	\$	\$
	<u>Unit Sales</u>	<u>Bonus</u>	
	• 12 – 15 vehicles retail	\$750	
	• Over 15 vehicles retail	\$1,250 (mutually exclusive)	
(6)	\$100 bonus on minimum deals (not enough gross to make a commission that exceeds \$100)	\$100	\$
(7)	Bonus of \$150 if CSI is above 5 closest competitors	\$150	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Including the F & I component should help reduce mini commissions.
- There is a volume component to make sure that there is a reward for selling more than 12 vehicles per month.
- Interesting standard for CSI that is used – the 5 closest competitors. I assume the CSI numbers are readily available for use.

7: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Salary, plus repeat purchase bonus
- F & I compensation provided volume threshold is met
- Incentive for extended warranty sales and customers who visit the dealership for customer pay service work
- CSI

NEW & USED SALESPEOPLE			
(1)	Salary		\$
(2)	Commission of 20.0% of gross after \$500 pack and holdback	20.0%	\$
(3)	Bonus of \$200 for each customer (or their immediate family) who makes a repeat purchase from the same salesperson	\$200	\$
(4)	Salespeople to receive 10.0% of all F & I generated on their deals, provided they sell 10 or more units	10.0%	\$
(5)	Bonus of \$100 for each service contract sale over 5 sales	\$100	\$
(6)	Bonus of \$5 for every customer pay service visit made by their customer provided the salesperson makes the after service follow up service call	\$5	\$
(7)	Bonus of \$300 if CSI exceeds xxx (insert value)	\$300	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Repeat purchase bonus is innovative and makes sense.
- F & I compensation only kicks in if salesperson sells 10 units.
- Focus on extended warranty sales, but a threshold has to be met.
- Paying a flat fee for customer pay visits could be expensive during the early ownership period, but I do like the requirement that salespeople have to make the 'after the service' follow up call. This will require tracking software to be used and lead to increased service retention.
- CSI is a finite number that salespeople have to meet or exceed.

8: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- There is a longevity over ride that is tied to volume
- Bonus for F & I once threshold is attained
- Volume bonus
- No CSI element

NEW & USED SALESPEOPLE			
(1)	Draw		
(2)	The commission % is based on volume and longevity using the table below	20.0% base	\$
	<i>1st year of employment</i> – commission of 20.0% less holdback and pack, with override paid at the year-end as follows:	20.0%	\$
	<u>Retail units required per annum</u>	<u>Increase over base %</u>	
	• 100 retail units sold for the year	3.0% over ride	
	• 101 – 150 retail units sold for the year	5.0% over ride	
	• Over 150 retail units sold for the year	7.0% over ride	
	<i>2nd year of employment</i> – commission base will increase 2.0% over 1 st year percentages	+2.0%	\$
	<i>3rd year of employment</i> – commission base will increase 3.0% over 2 nd year percentages	+3.0%	\$
(3)	Volume bonus of \$300 if more than 12 vehicles are delivered for the month	\$300	\$
(4)	Bonus of \$200 for every \$1,200 finance and insurance transaction	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Interesting play on volume and years of employment. Easy enough to track and does not need to coincide with the calendar year.
- Bonus on volume and F & I income are solid elements to include.
- No CSI element in place.

9: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Commission on all gross (including F & I) produced by salesperson
- Cost containment bonuses for the balance under the 20% level
- Various participation bonuses to the 20.0% level – mini; volume; 'Top Gun'; overaged units

NEW & USED SALESPEOPLE			
(1)	Draw		
(2)	Commission of 16.0% on the combined gross of new, used and F & I gross generated per deal (no holdback and no pack)	16.0%	\$
(3)	Dealership will hold commissions as a % of gross at 20.0%. The balance of 4.0% (20.0% – 16.0%) will be used as follows:	20.0%	\$
	<u>First tier bonuses</u>	<u>Participation of the '4.0% balance'</u>	
	• Overaged inventory paid per unit	Varies from \$100 to \$300	
	• Mini commissions paid per unit	\$100 per mini	
	• Volume bonus – sales of over 15 units	\$400 per salesperson	
	<u>Second tier bonus</u>	<u>Balance of what is left of the 4.0%</u>	
	• 'Top Gun' 50.0% to highest gross transaction; 50.0% to total gross produced	50/50	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Most unique and provocative. Pay salespeople on the total gross they produce per deal without holdback and packs and this will reduce the number of minimum commission vouchers.
- Keep a lid on paying more than 20.0% in the form of commissions by only allowing the balance left under the 20.0% paid to be used for miscellaneous payments.
- 'Top Gun' bonus – a good motivational tool.

10: RECIPIENT: Salespeople – New & Used
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PAY ELEMENTS: The following elements are included:

- Commission on all gross, with small pack
- Fast start options
- Longevity salary
- Motivator board and salary

NEW & USED SALESPEOPLE			
(1)	Draw		
(2)	Commission of 20.0% of payable gross after pack of \$400. No holdback	20.0%	\$
(3)	Fast start bonus as listed on the table below – applies to units delivered by the 10 th of the month:	\$	\$
	<u>Fast start requirement (cut off is the 10th)</u>	<u>Bonus</u>	
	• More than 4 units	\$200	
	• Leader of the board, provided more than 6 units delivered	\$500	
	• Group bonus if more than 45 units delivered, shared amongst the top three 50/30/20	\$1,000	
(4)	Longevity bonus is conditional on selling 30 units on a trailing three month average		\$
	• After 2 years – salary	\$300 per month	
	• After 3 years – salary	\$500 per month	
(5)	Motivator board position at month end; 1 st = \$500; 2 nd = \$300; 3 rd = \$200	\$	\$
(6)	Bonus of \$200 if CSI is equal to or exceeds xxx (insert value)	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Innovative 'fast start' and longevity bonus. The salary introduction after the 2nd year is interesting.
- Specific CSI number has to be exceeded in order to receive bonus.

13: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Salary
- Flat volume bonus per unit
- Product bonus and CSI bonus

NEW & USED SALESPEOPLE			
(1)	Salary		\$
(2)	Bonus per unit delivered using the following table:	\$	\$
	<u>Units Delivered</u>	<u>Bonus</u>	
	• 1 – 6 units	\$100 per unit	
	• 7 – 11 units	\$125 per unit	
	• 12 – 16 units	\$150 per unit	
	• Above 16 units	\$175 per unit	
(3)	Bonus of \$25 for each product sold including finance	\$25	\$
(4)	Bonus of \$180 if CSI score is above average	\$180	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- I have seen this pay plan primarily with 'one price' dealerships.
- There is a significant salary component (this would depend on the bonus levels) of between \$1,500 and \$2,000.
- The bonus on products sold makes sense since the salesperson can positively influence the customer prior to presentation in finance.
- The CSI bonus is necessary, but this pay plan does lend itself to higher CSI, coupled with a strong sales desk to maintain gross.
- Bottom line question – will the compensation stay within guideline.

14: RECIPIENT: Salespeople – New & Used
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PAY ELEMENTS: The following elements are included:

- Salary of \$400 per week
- Commission of 15% on both the front end, as well as the back end of the gross
- No pack and no holdback included in calculating the salesperson's commission
- CSI bonus
- A mini commission of \$100 if combined gross (front and back) is under \$650 per retail unit

NEW & USED SALESPEOPLE			
(1)	Salary (\$400 per week)		\$400
(2)	Commission of 15.0% on the total gross generated by the transaction – no pack and no holdback	15.0%	\$
(3)	Commission kicks in after the salesperson has generated \$10,000 for the month		\$
(4)	Bonus of \$250 if CSI score is above average	\$250	\$
(5)	Guarantee mini commission of \$100 per transaction if combined gross (front and back) is less than \$650 per retail unit	\$100	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Very creative pay plan! Great balance.
- The salary content has attracted college graduates who are more comfortable earning some type of salary.
- The threshold required before the commission kicks in helps to 'offset' the weekly salary.
- Payment on both the front end and the finance and insurance portion at the same rate creates a sales platform that exhibits no bias one way or the other.
- The payable gross has no deduction for holdback or packs and is a welcome 'transparency' in our business.

15: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Salary of \$450 per week
- Flat payment per vehicle (new and used) based on holding front end gross (see table below)
- Volume bonus
- CSI bonus

NEW & USED SALESPEOPLE				
(1)	Salary (\$450 per week) – must meet gross of \$8K for the month			\$450
(2)	Flat payment for sales based on discounts against MSRP (new) and advertised price on used		15.0%	\$
	<u>Bonus Basis</u>	<u>New</u>	<u>Used</u>	
	At MSRP or advertised price	\$250	\$150	
	Within \$200 of MSRP or advertised price	\$200	\$100	
	Within \$500 of MSRP or advertised price	\$150	\$75	
(3)	Volume bonus of \$500 for >12 units sold		\$500	\$
(4)	Bonus of \$150 if CSI score is above average		\$150	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- This plan is designed to hold gross or advertised gross. It has some merit, but I would like to see some participation on the back end of the transaction. There is an ante to produce \$8K of gross in order to earn a salary.
- Interesting commission on holding used vehicle gross even though the state and condition of the used vehicle inventory would be the determining factor. A function of used vehicle management.
- There is both a volume and CSI component to give the plan some balance.

11: RECIPIENT: Salespeople – New & Used

PAY ELEMENTS: The following elements are included:

- Commission on gross varies between new and used
- Finance and Insurance bonus will vary according to F & I gross per unit
- Volume bonus
- CSI

NEW & USED SALESPEOPLE			
(1)	Draw		
(2)	Commission of 22.0% of the front end on new vehicle gross, less holdback (no pack)	22.0%	\$
(3)	Commission of 25.0% of the front end of used vehicle gross, less pack of \$300	25.0%	\$
(4)	Bonus on F & I based on gross per unit (both new and used)	\$	\$
	<u>Gross per Unit – F & I</u>	<u>Bonus</u>	
	• Less than \$900 per unit	\$50	
	• Over \$900 per unit	\$100	
(5)	Volume bonus of \$40 for every vehicle sold over 12 units	\$40 per unit	\$
(6)	Bonus of \$200 if CSI is above average	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The bonus on finance and insurance income encourages salespeople to be proactive with customers regarding F & I.
- The volume bonus is a super way to motivate salespeople to achieve unit sales that exceed 12 units.

12: RECIPIENT: Salespeople – New & Used w/Internet Activities

PAY ELEMENTS: The following elements are included:

- Commission percentage on gross is similar for both new and used vehicle sales
- There is a different pay plan for sales made on validated internet sales
- There is a flat bonus on back end gross provided it meets a certain threshold
- CSI

NEW & USED SALESPEOPLE WITH INTERNET ACTIVITIES			
(1)	Draw		
(2)	Commission of 24.0% on new and used payable gross – no internet referral from BDC	24.0%	\$
(3)	Commission of 18.0% on internet validated referrals (The BDC person who set up the appointment receives the 6.0%)	18.0%	\$
(4)	Bonus on finance and insurance of \$30 if back end gross is above \$400 per retail unit	\$30	\$
(5)	Bonus of \$150 if CSI score is 10.0% or more above zone average	\$150	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The great feature of this plan is that the commission on validated internet sales is split (75/25) with the internet staff member who initially took the lead and set up the appointment. The term 'validated referral' indicates that an audit trail would have to be present in order to reduce misunderstanding. I suspect the dealership utilizes an effective BDC application to manage this.
- The bonus on the finance and insurance gross of \$30 is not material, and the threshold used to trigger the payment is only \$400, which is also on the low side.

16: RECIPIENT: Salespeople – New & Used
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PAY ELEMENTS: The following elements are included:

- Standard commission plan
- Bonus for F & I once threshold is attained
- Volume bonus
- No CSI content

NEW & USED SALESPEOPLE			
(1)	Draw against commissions		
(2)	Commission of 22.50% of payable gross after holdback and a \$200 pack on new vehicles and a \$500 pack on used vehicles	22.50%	\$
(3)	Commission of 10.0% of gross profit on the F& I portion of the transaction	10.0%	\$
(4)	Bonus of \$300 if CSI score exceeds that of the district	\$300	\$
(5)	Residual bonus based on your customers coming in for customer pay service work. Only CP and appointments have to be made and validated. Salespeople to submit summary 2 days before month end	\$	\$
	<u>Occurrence</u>	<u>Bonus per CP Visit</u>	
	• First customer pay service visit	\$5.00	
	• Second customer pay service visit	\$5.00	
	• Third customer pay service visit	\$10.00	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Standard commission structure with a small 'kicker' by including F & I.
- CSI needs to be higher than District to receive bonus.
- Great idea on paying salespeople a residual on customer pay service visits. Makes salespeople become more active in getting their customers to come in for customer pay service work. Salespeople are expected to be involved in setting their service appointments and submitting a log for payment. Healthy incremental income stream.

17: RECIPIENT: Salespeople – New & Used
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PAY ELEMENTS: The following elements are included:

- Salary
- A 'bundle' of bonuses based off the total of new, used and F & I vehicle gross and a CSI component

NEW & USED SALESPEOPLE				
(1)	Salary			
(2)	Bonus of 2.0% on total new, used and F and I gross		2.0%	\$
(3)	Bonus based on new and used vehicle gross for equaling or exceeding the following:		\$	\$
	<u>Activity</u>	<u>Objective</u>	<u>Bonus % on new, used and F & I gross</u>	
	New vehicle volume for the month	105 units	0.5%	
	Used vehicle volume for the month	105 units	0.5%	
	Average new vehicle gross – front and back	\$2,600	0.5%	
	Average used vehicle gross – front and back	\$2,500	0.5%	
	Used vehicles over 65 days old	0 units	0.5%	
(4)	Bonus of \$500 if CSI score is higher than zone average based on a three month moving average		\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Interesting pay plan that exhibits a measured amount of balance. It includes performance bonuses that can be changed monthly based on objectives. The bonuses of 0.5% can also be changed as deemed appropriate. I particularly like the bonus on:
 - Front and back end of both new and used
 - Aging of used

18: RECIPIENT: Salespeople – High Performance Award
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PAY ELEMENTS: The following elements are included:

- Commission
- Flat volume bonus per unit based on volume attainment
- Additional privileges

NEW & USED SALESPEOPLE – HIGH PERFORMANCE AWARD			
(1)	Commission based on payable gross	\$	\$
(2)	Bonus per unit delivered using the following table:	\$	\$
	<u>Units Delivered per Annum</u>	<u>Bonus</u>	
	• Above 300 units per year – retroactive to unit 1 – paid January 5th	\$15 per unit	
	• 200 – 299 units – retroactive to unit 1 – paid January 5th	\$10 per unit	
	• 15 – 199 units – retroactive to unit 1 – paid January 5th	\$5 per unit	
(3)	Above 200 units – first choice on sporting and concert event tickets that have been allocated to dealership. Advance notice of 20 days given	\$	\$
(4)	Above 300 units – personal assistant	\$	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Pay plan encourages top producers to strive for retroactive levels of bonus money, which is substantial based on the volume and amount earned per unit. Paid early in the New Year, which helps to defray higher than normal December month-end expenses.
- The use of a personal assistant allows top producers to remain and/or become more productive by enabling assistant to handle administration activities.
- Earmarking the allocation of show, concert and sporting event tickets received by the dealership for the top producers is an interesting and welcomed benefit.

1: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Base salary
- Commission on customer pay sales and warranty sales using a commission % grid (the higher the sales, the higher the commission %)
- Bonus on service department net profit

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission on customer pay and warranty sales per the table below:	\$	\$
	<u>Total customer pay and warranty sales</u>	<u>Commission %</u>	
	• Above \$200K	2.25%	
	• \$200K – \$230K	2.50%	
	• \$230K – \$260K	2.75%	
	• Above \$260K	3.00%	
(3)	Bonus if service department generates a net profit for the month, using the following table:	\$	\$
	<u>Net department profit</u>	<u>Bonus amount</u>	
	• \$25K – \$50K	\$500	
	• Above \$50K	\$750	

ADDITIONAL COMMENTARY:

Comments & Observations:

- The structure of this pay plan is sales driven and concentrates only on the sales aspect of warranty and customer pay.
- Notable absence is a CSI element.
- No cost controls in place other than a bonus on the department net profit.

2: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Base
- Commission on service gross
- Commission on parts gross
- Commission on customer pay labor sales
- CSI
- Tire sales bonus

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of service department gross profit	2.0%	\$
(3)	Commission of 1.0% of parts department gross profit	1.0%	\$
(4)	Bonus of \$200 if CSI is above zone average	\$200	\$
(5)	Bonus of \$500 if customer pay tire sales exceeds \$15K for the month	\$500	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Interesting pay plan that takes into account both the gross of the service department and the gross of the parts department when calculating pay.
- There is some linkage here – the CSI bonus for being above zone average makes sense.
- The tire sales element makes all the sense in the world. It is interesting to see that the sales are based on customer pay sales and does not take into account internal sales.

3: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on gross produced by the service department
- Commission on combined net profit of service, parts and body shop departments
- Annual net profit commission
- CSI

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 2.5% of service gross	2.5%	\$
(3)	Commission of 5.0% of the combined net profit of the service, parts and body shop departments	5.0%	\$
(4)	Bonus on CSI using the following table:	\$	\$
	• Below district average	\$0	
	• Within 10.0% of district average	\$300	
	• Exceeds district average by more than 10.0%	\$700	
(5)	Commission of 1.0% of the net profit of the service department – paid annually	1.0%	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The major driver of the pay plan is to produce service gross profit.
- Interesting pay element is paying a bonus off the net profit of all fixed operations departments. Unusual, but will help in making the managers work together to make more net profit for the dealership.
- CSI is based on rewarding the manager with a graduated increase should the department perform well above average.
- The annual bonus is a little different from most, but it has a certain appeal to it.

4: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Commission on gross generated in service
- Payment based on hours per customer pay repair order
- Annual bonus for achieving sales goals

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of gross produced in the service department	2.0%	\$
(3)	Bonus based on average hours produced per customer pay repair order using the table below:	\$	\$
	• Less than 1.8 hours per RO	\$0	
	• 1.8 – 2.0 hours per RO	\$200	
	• 2.0 – 2.2 hours per RO	\$400	
	• Over 2.2 hours per RO	\$600	
(4)	Annual bonus of \$2,000 if the department meets or exceeds its sales goal for the year	\$2,000	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- There are certain notable exclusions:
 - No CSI element – maybe it is not needed, but it could be an important pay plan element.
 - There is no incentive to keep expenses in line using this pay plan. The annual bonus is a sales goal target, so there is no expense control element in place.
- Paying the service manager on hours per repair order is problematic. The metric used to measure service department performance has some downside to it. The average hours per repair order is influenced by the make/model, the average mileage of the dealership's service customers and the effective retail labor rate. I suggest trying other options that may be a better alternative.

5: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on controllable gross
- Graduated commission based on service gross
- Profitability (gross margin) on customer pay labor
- CSI

SERVICE MANAGER			
(1)	Base salary		\$
(2)	Commission of 4.0% of service gross, less controllable expenses	4.0%	\$
(3)	Commission on service gross over the levels that are listed in the table below:	\$	\$
	• Over \$140K	\$500	
	• Over \$160K	\$750	
	• Over \$200K	\$1,000	
(4)	Bonus of \$600 if gross profit margin on customer pay labor (excluding quick service) exceeds 78.0%	\$600	\$
(5)	Bonus of \$400 if CSI exceeds the average for the region	\$400	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- There is an expense control element that should help encourage expense containment measures.
- Incentive based on the production of service gross on a stair step basis.
- The recognition to maintain high profit margins (via judicious dispatching, technician mix and reluctance to discount) is reflected in the bonus paid on customer pay margin if above a certain threshold. Interesting idea that has merit.
- The CSI bonus is there as it should be.

6: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on net department profit after attaining target threshold
- Bonus on total hours produced in the service department
- Bonus on effective retail labor rate attainment
- CSI

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 7.0% of the net department profit of the dealership, in excess of \$30K	7.0%	\$
(3)	Bonus per the table below on the number of labor hours produced in the service department for the month:	\$	\$
	<u>Hours produced</u>	<u>Bonus</u>	
	• Below 2,000 hours	\$200	
	• 2,000 – 2,400 hours	\$500	
	• Above 2,400 hours	\$800	
(4)	Bonus of \$500 if the customer pay effective retail labor rate is above \$83.50 per hour	\$500	\$
(5)	Bonus of \$500 if CSI is in the top 40.0% of the dealers in the zone. There is a \$500 deduction if CSI is below average	\$500 or (\$500)	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The pay plan concentrates on the need to sell labor and control expenses to earn in excess of the \$30,000. Well directed to do this.
- Good idea to focus on labor hours produced and to reward for higher production.
- The labor hours focus is counter balanced a little by including an effective retail labor rate bonus as part of the pay plan.
- CSI has an interesting twist. There is a bonus, as well as a deduction, should the dealership fall below the average.

7: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary
- Bonus on hours produced in the service department
- Bonus on dealership fixed gross profit produced
- Cost containment on salaries and wages, and loaner vehicles
- CSI

SERVICE MANAGER			
(1)	Salary		\$
(2)	Bonus of \$2 for every hour produced in the service department	\$2 per labor hour	\$
(3)	Commission of 1.5% of the fixed gross of the dealership	1.5%	\$
(4)	Bonus of \$750 if loaner vehicle expenses (including depreciation) is under 6.0% of service gross (high line import)	\$750	\$
(5)	Bonus of \$800 if other salaries and wages, including service advisor pay, is under 20.0% of service gross	\$800	\$
(6)	Bonus of \$250 if CSI is above franchise average	\$250	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The bonus on hours produced in the service department is a departure from the norm, but it is focused on the primary profit driver of this department. Great way to try to get the service manager to track, monitor and improve hours produced in the service department.
- Payment on fixed gross profit should help forge team work between the different departments.
- There is an important cost containment element embedded in this pay plan. The bonus on the major expense category – other salaries and wages, which includes service advisor compensation and loaner vehicles – will only be paid if it is under a certain percentage.
- CSI bonus is in place.

8: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary
- Two cost containment elements: (1) Commission after controllable expenses and (2) Bonus if the number of service technicians is above a certain percentage of total service department staff
- Personnel productivity based on hours per service advisor

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of the department's gross profit, less controllable expense	3.0%	\$
(3)	Commission on labor gross is based on the average labor hours produced per service advisor using the table below:	\$	\$
	<u>Average hours per service advisor</u>	<u>Commission %</u>	
	• Below 650 hours per service advisor	3.0%	
	• 650 –700 hours per service advisor	3.25%	
	• 700 – 750 hours per service advisor	3.50%	
	• Above 750 hours per service advisor	4.0%	
(4)	Bonus of \$750 if more than 60.0% of the total employees in the service department are technicians	\$750	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The commission based on controllable service gross will help with expense control.
- The tracking of hours produced per service advisor, and paying on a graduated scale, should bring greater scrutiny to this productivity measurement.
- The bonus based on the percentage of the total service staff, which includes all the other service department employees, has a sound fundamental basis to it. The higher the percentage, the leaner the head count and the lower the personnel costs should be.
- There is no CSI element.

9: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Base and a bonus for customer pay RO growth
- Net department profitability grid
- Reconditioning penalty and retail bonus on used vehicle sales

SERVICE MANAGER			
(1)	Base		\$
(2)	Increase in # of customer pay repair orders this month compared to the same month last year. No increase = \$0; increase <5.0% = \$400; increase >5.0% = \$800	\$	\$
(3)	Commission paid on net department profit as a % of total labor gross using the table below:	\$	\$
	<u>Net profit as a % of labor gross</u>	<u>Bonus %</u>	
	• Below 10% net to gross	3.0%	
	• 10% – 15% net to gross	4.0%	
	• 15% – 20% net to gross	5.0%	
	• 20% – 25% net to gross	6.0%	
	• Over 25% net to gross	7.0%	
(4)	Internal is at full retail. Should a vehicle not be completely reconditioned with 72 hours, there will be a \$100 charge against the service department gross for each successive day over the 72 hours	(\$100 per day)	(\$)
(5)	Bonus of \$4 for every used vehicle that is retailed	\$4	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Complex pay plan with varied elements that are unusual, but valid.
- Growth in customer pay RO count – an excellent metric to track.
- Commission grid on net as a % of labor sales is an excellent measure of overall profitability.
- Penalizing the service department for not abiding by the 72 hour turnaround should attract a lot of attention and help speed up this traditionally frustrating situation. It will help sell more vehicles.
- Payment off used vehicles retailed is interesting and links both managers.

10: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary, plus commission on controllable gross profit
- Bonus on effective retail labor rate levels and gross per tech.
- Commission on quick service
- Bonus on policy work containment and CSI

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of gross profit, less controllable expenses	3.0%	\$
(3)	Bonus to be paid on effective retail labor rate (customer pay, excluding quick service) using the following table:	\$	\$
	<u>Effective Retail Labor Rate</u>	<u>Bonus</u>	
	• Below \$75.00 and \$77.99 per hour	\$0	
	• \$78.00 – \$79.99 per hour	\$300	
	• \$80.00 – \$81.99 per hour	\$500	
	• Over \$82.00 per hour	\$700	
(4)	Commission of 3.0% of quick service labor sales	3.0%	\$
(5)	Bonus of \$400 if policy work is less than 2.0% of customer pay labor sales	\$400	\$
(6)	Bonus of \$750 if the average gross per technician exceeds \$16K	\$750	\$
(7)	Bonus of \$250 if CSI is equal to or above zone average	\$250	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Commission on gross, less controllable expenses, is commendable.
- Enjoy seeing the bonus on managing the dealership's effective retail labor rates and the average gross produced per tech. for the month.
- Quick service bonus is a refreshing inclusion.
- Policy work containment bonus makes sense.
- CSI rounds off a nicely balanced pay plan.

11: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on service labor and parts sold on repair orders
- Commission on quick service sales
- Graduated bonus on average labor gross per customer pay RO
- CSI

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 3.0% of service labor gross	3.0%	\$
(3)	Commission of 3.0% of parts gross generated on customer pay repair orders, warranty repair orders and internal parts on repair orders	3.0%	\$
(4)	Commission of 5.0% of quick service labor sales	5.0%	\$
(5)	Bonus based on the average labor gross per customer pay repair order (excluding quick service) as per the following table:	\$	\$
	<u>Average customer pay labor gross per RO</u>	<u>Bonus</u>	
	• Below \$70 per RO	\$0	
	• \$70 – \$80 per RO	\$300	
	• Above \$80 per RO	\$500	
(6)	Bonus of \$300 if CSI is at average or better	\$300	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The service manager is being remunerated for labor and parts on all repair orders, plus quick service sales which is a positive.
- Interesting bonus based on the dollar amount spent on customer pay repair orders, which encourages service advisors to upsell when appropriate.
- The CSI bonus is standard and worth including.
- The pay plan is absent of any expense control mechanisms, and net or controllable gross profit elements, so there is no real impetus for expenses to be controlled when using this pay plan.

12: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on service gross
- Bonus on policy work containment
- Fixed coverage bonus
- CSI

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission of 2.0% of service gross	2.0%	\$
(3)	Bonus of \$1,000 if customer labor hours exceed 5,000 hours per month	\$1,000	\$
(4)	Monthly bonus of \$500 if policy work is less than 1.5% of customer labor sales on a year-to-date basis	\$500	\$
(5)	Bonus on fixed coverage or absorption based on the following table:	\$	\$
	<u>Fixed coverage</u>	<u>Bonus</u>	
	• Below 85%	\$0	
	• 85% – 92%	\$750	
	• 92% – 100%	\$1,000	
	• Above 100%	\$2,000	
(6)	Bonus of \$xxx if service CSI is above national average (insert value)	\$	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Bonus based on customer labor hours produced. Prefer to see a grid and perhaps make it a monthly target to address seasonality. Good idea though.
- The cost containment angle of policy work makes sense especially that the year-to-date percentage must remain below 1.5%.
- Intriguing bonus based on dealership fixed coverage, although the service manager is only one of a number of managers held accountable for this metric. Nevertheless it is a good idea, as it sends out a message to all managers.

13: RECIPIENT: Service Manager

PAY ELEMENTS: The following elements are included:

- Base salary
- Commission on customer pay labor sales that is tied to the department's customer retention versus the district average
- Fixed commission on warranty and internal labor gross
- CSI

SERVICE MANAGER			
(1)	Base		\$
(2)	Commission based on retention of service customers* (Using Urban Science data)	\$	\$
	<u>Metric vs. the district metric</u>	<u>Commission % of customer pay labor</u>	
	• Below district average	1.50%	
	• 0 – 5% above district average	3.00%	
	• 5% – 10% above district average	3.50%	
	• 10% – 15% above district average	4.00%	
	• Above 15% of district average	5.00%	
(3)	Commission of 4.0% of the total warranty and internal labor gross	\$	\$
(4)	Bonus of \$400 if CSI is above region average	\$400	\$

*Customer retention is two customer pay visits within the past 12 months

ADDITIONAL COMMENTARY:

Comments & Observations:

- Interesting pay plan, but you need to have access to reliable data. The manager gets an income boost as the department's retention rate increases against the district. Makes everyone focus on repeat customer visits and incremental customer pay labor sales.
- A fixed percentage on the gross earned on 'captive' warranty and internal gross.

1: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on labor sales
- Bonus based on hours per RO (customer pay)

SERVICE ADVISOR			
(1)	Salary		\$
(2)	Commission of 4.0% of retail labor sales, warranty and internal labor sales	4.0%	\$
(3)	Bonus on hours produced per customer pay repair order	\$	\$
	<u>Hours Produced per CP RO</u>	<u>Commission % of CP Labor Sales</u>	
	• Below 1.4 hours	0.0%	
	• 1.4 – 1.79 hours	0.5%	
	• 1.80 – 2.19 hours	1.0%	
	• 2.20 – 2.39 hours	1.5%	
	• Above 2.4 hours	2.0%	

ADDITIONAL COMMENTARY:

Comments & Observations:

- The commission does not take into account any parts sold on repair orders. I would recommend that parts be included in the compensation pay plan.
- The bonus based on hours per customer pay repair order could lead to excessive up selling on the service drive as service advisors strive to increase the RO average in order to move up to the next bonus level. I would prefer something along the lines of hours produced per service advisor that does not specifically target hours per repair order.

2: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on labor and a different commission on parts sales
- Bonus on managing the effective retail labor rate for customer pay labor
- CSI bonus depending on how it compares to zone average

SERVICE ADVISOR			
(1)	Salary		\$
(2)	Commission of 4.0% of customer pay, warranty and internal labor sales	4.0%	\$
(3)	Commission of 2.0% of parts sold on customer pay, warranty and internal repair orders	2.0%	\$
(4)	Bonus on managing the effective retail labor rate (customer pay) using the following table:	\$	\$
	<u>Effective Retail Labor Rate</u>	<u>Bonus</u>	
	• \$80.00 – \$84.99	\$300	
	• \$85.00 – \$89.99	\$500	
	• \$90 and above	\$700	
(5)	Bonus of \$250 if CSI is 0.2 points or more above zone average	\$250	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- I would rather pay the service advisor the same commission percentage for labor and for parts sales so as not to leave any bias regarding whether to repair or replace a part.
- Managing the service advisor's effective retail labor rate for customer pay via a bonus is an innovative way to manage margins and discourage discounting. This will probably convince the service advisors to faithfully use their service pricing guides in order to protect their margins and earn a higher bonus.
- Nice CSI bonus that rewards above average performance.

3: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on labor and parts gross
- Graduated bonus pool on labor and parts sales shared equally between the service advisors
- Policy work containment bonus and CSI

SERVICE ADVISOR			
(1)	Salary		\$
(2)	Commission of 4.0% on labor and parts gross produced per service advisor	4.0%	\$
(3)	Bonus pool will be shared amongst the 3 service advisors equally on labor and parts sales per the following table:	\$	\$
	<u>Labor and Parts Sales</u>	<u>Pool Commission %</u>	
	• \$300K – \$350K	0.50%	
	• \$350K – \$400K	0.75%	
	• Above \$400K	1.00%	
(4)	Policy work bonus of \$100 if policy expenses for the service advisor are below 1.0% of labor sales	\$100	\$
(5)	Bonus of \$200 if CSI in the top 45.0% of zone peers	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Commission is paid off the combined parts and service gross produced.
- The bonus pool is an interesting concept of tying all the service advisors to a similar goal.
- Bonus on policy work is a novel approach to involve the service advisor in controlling this expense.
- CSI bonus only for above average performance.

4: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Salary
- Bonus based on hours per repair order for vehicles *exceeding 20,000 miles*
- Bonus on sales of extended warranties, CSI and total production

SERVICE ADVISOR			
(1)	Salary		\$
(2)	Commission of 2.5% on labor, parts and sublet sold	2.5%	\$
(3)	Bonus on hours per RO (customer pay) for vehicles having in <i>excess of 20K miles</i>	\$	\$
	<u>Hours per RO</u>	<u>Bonus Level</u>	
	• Below 1.5 hours per RO	\$50	
	• 1.5 – 1.7 hours per RO	\$300	
	• 1.7 – 1.9 hours per RO	\$400	
	• Over 1.9 hours per RO	\$550	
(4)	Bonus of \$150 on the sale of an extended service contract	\$150	\$
(5)	Bonus of \$1,000 split equally amongst the 3 service advisors if the department produces more than 2,400 hours for the month	\$1,000 ÷ 3	\$
(6)	Bonus of \$200 if CSI is at or above district average	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Commission on parts and labor makes sense.
- Interesting element introduced on vehicles exceeding 20,000 miles using an hours per RO basis for the bonus.
- There is also a split of an incentive should the flat rate hours produced reach a certain level.
- CSI bonus is included.

5: RECIPIENT: Service Advisor (high line)
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PAY ELEMENTS: The following elements are included:

- Salary and varied commissions on labor type
- Loaner vehicle expense bonus and bonuses based on services sold

SERVICE ADVISOR			
(1)	Salary		\$500
(2)	Varied commissions will be paid on parts and labor sales based on the following table:	\$	\$
	<u>Customer Type</u>	<u>Commission %</u>	
	• Customer pay parts and labor	4.0%	
	• Warranty labor (no parts)	5.0%	
	• Internal parts and labor	3.0%	
	Bonus on loaner usage: Based on the average number of vehicles loaned to customers each working day per the following table:	\$	\$
(3)	<u>Average Number of Loaner Cars Out per Day</u>	<u>Bonus</u>	
	• Below 14 loaner cars per day	\$400	
	• Below 10 loaner cars per day	\$800	
(4)	Bonuses on the following items with a deduction for all RO's with one line item that exceeds 30K miles on the odometer:	\$	\$
	<u>Type of Service</u>	<u>Bonus</u>	
	• 30K maintenance package	\$20	
	• 60K maintenance package	\$30	
	• Full set tire sale	\$40	
	• (LESS: # of one line CP RO's)	(\$10)	

ADDITIONAL COMMENTARY:

Comments & Observations:

- Varying commissions makes sense. I like the loaner car bonus as well as the bonus based on services sold and the deduct item.

6: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Commission on parts and labor
- Bonus on hours produced
- Commission on extended warranty sales
- CSI

SERVICE ADVISOR			
(1)	Salary		\$
(2)	Commission of 4.0% of all labor and parts sales	4.0%	\$
(3)	Bonus will be paid based on the labor hours produced per service advisor using the table below:	\$	\$
	<u>Labor Hours Produced</u>	<u>Bonus</u>	
	• Below 600 hours	\$0	
	• 600 – 700 hours	\$200	
	• 700 – 800 hours	\$400	
	• Over 800 hours	\$600	
(4)	Commission of 10.0% for all extended warranties sold in the service drive	10.0%	\$
(5)	Bonus of \$300 if CSI is above district average	\$300	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The bonus based on labor hours produced by the service advisor should create the necessary focus on producing labor hours for the month.
- The extended warranty sales element indicates that the service advisors sell the product in the service drive, as opposed to taking the customer to F & I. Good move as this improves the transaction process.
- CSI is an appropriate piece of the service advisor pay plan.

7: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Commission on labor sales
- Bonus on labor gross per RO
- CSI element, plus aftermarket sales bonus

SERVICE ADVISOR			
(1)	Draw against commissions		\$
	Commission of 5.5% of all customer pay, warranty and internal labor sales	5.5%	\$
(2)	Bonus of \$500 if the average customer pay labor gross exceeds \$95 per repair order	\$500	\$
(3)	Attainment bonus pool to be shared equally amongst the 4 service advisors, and is based on the following table:	$\$x \div 4$	\$
	<u>Total flat rate hours produced</u>	<u>Bonus to be shared</u>	
	• Below 2,400 labor hours	\$0	
	• 2,400 – 2,800 labor hours	\$600	
	• Above 2,800 labor hours	\$900	
(4)	Longevity stipend paid monthly: End of 3 rd year = \$300; end of 4 th year = \$400; end of 5 th year = \$500	\$	\$
(5)	Bonus of \$400 if CSI is above district average	\$400	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Note the draw instead of a salary.
- Departure from most service manager's pay plans – no salary.
- The bonus, if the average gross per CP RO is \$95, is interesting.
- The sharing of a bonus pool that is based on hours produced makes sense.
- Longevity bonus is unique.
- Very interesting pay plan – encompasses many of the relevant issues.

8: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Salary and a commission on customer pay, internal labor and parts and warranty labor sales
- Bonus on flat rate hours produced
- Bonus on tire sales and gross margin %
- CSI

SERVICE ADVISOR			
(1)	Base		\$
(2)	Commission of 3.0% of labor and parts for customer pay and internal transactions, and warranty labor sales (no parts)	3.0%	\$
(3)	Bonus of \$2.50 for every flat rate hour written for the month	\$2.50 per FRH	\$
(4)	Bonus of \$500 if the combined labor gross as a % of labor sales is above 76.0%	\$500	\$
(5)	Bonus on customer pay tire sales (over and above stated commissions) based on the following table:	\$	\$
	<u>Tire sales as a % of total parts on customer pay RO sales</u>	<u>Bonus</u>	
	• Above 5.0%	\$300	
	• Above 7.0%	\$500	
	• Above 10.0%	\$800	
(6)	Bonus of \$600 if CSI is in the top 20.0% of district scores	\$600	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The bonus on flat rate labor produced for the month focuses on producing flat rate hours. Good move.
- I like the gross profit margin on total labor sales. Warranty should not be a problem as it tends to lift margins.
- I also like the tire sales pay component and the top 20.0% for CSI.

9: RECIPIENT: Service Advisor

PAY ELEMENTS: The following elements are included:

- Salary
- Commission on labor sales
- Bonus on warranty and internal tied to commission earned per customer pay repair order
- New and used vehicle referral bonus
- Conditional production bonus based on CSI

SERVICE ADVISOR			
(1)	Salary		\$
(2)	Commission of 4.0% of retail labor sales	4.0%	\$
(3)	Bonus paid on warranty and internal sales is based on multiplying the number of internals and warranty repair orders by the average commission that is earned per customer pay repair order	\$	\$
(4)	Vehicle sales made by referring customer to sales department will be compensated as follows: a) \$100 bonus for each sale irrespective of gross generated by this sale b) The vehicle traded in, once reconditioned, will be run through as a customer pay ticket for that particular service advisor	\$100	\$
(5)	Bonus of \$200 should the service advisor produce more than 650 flat rate hours for the month (CSI score must be above the average for the district in order for this bonus to be paid)	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Warranty/internal pay calculation is a bit awkward, but makes sense. Will certainly drive the service advisor on the customer pay metrics.
- Referral spiff very interesting and inventive.
- Surprised by the bonus being held hostage to CSI scores, but it could work.

Note to Reader:

There are many different organization structures that technicians function under in the dealership, such as traditional approach, team systems or lateral support groups, etc. You should merely look at the components that are included in this section and see whether they could apply to your organization, your unique set of circumstances and your business model.

Hopefully, certain of the components embedded in these pay plans will work for you and you will be able to offer a more effective compensation package.

Good luck!

1: RECIPIENT: Service Technician

PAY ELEMENTS: The following elements are included:

- Draw against commissions
- No salary
- Commissions paid twice a month

SERVICE TECHNICIAN			
(1)	Flat rate		
(2)	No salary – commissions paid twice a month		
(3)	Technician paid on flat rate produced, which is retroactive to the first flat rate hour produced. All technicians will be paid a 20.0% increase over their current flat rate labor cost if they exceed 100 hours per pay period	\$	\$

ADDITIONAL COMMENTARY:*Comments & Observations:*

- Fairly common pay plan that awards tech. productivity after a certain threshold has been met. The retroactive element pushes up the cost of labor significantly as it goes back to the first hour of labor. Prefer a stair step approach, if possible. No CSI element in place.

2: RECIPIENT: Service Technician

PAY ELEMENTS: The following elements are included:

- Pure commission that is based on an increase in pay using incremental levels of production as the basis
- No base

SERVICE TECHNICIAN			
(1)	Flat rate		
(2)	Commission based on flat rate hours produced. The base pay per flat rate hour is multiplied by the bonus factor using the table below. It is stair step in approach, not retroactive, and is paid bi monthly	\$	\$
	<u>Flat rate hours produced</u>	<u>Bonus factor</u>	
	• Under 80 flat rate hours for the period	1.00	
	• 80 – 90 flat rate hours for the period	1.10	
	• 90 – 100 flat rate hours for the period	1.15	
	• Over 100 flat rate hours for the period	1.20	
(3)	Bonus of \$200 if CSI is above district average	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Producing flat rate hours per tech. is the primary business driver in the service department. Paying technicians for higher levels of production makes all the sense in the world. The stair step approach enables the technicians to start earning a higher dollar amount as they reach higher levels of production.
- This pay plan would work well in a team system set up.
- Measuring and rewarding CSI per technician will assist in making the technicians avoid shoddy workmanship.

3: RECIPIENT: Service Technician

PAY ELEMENTS: The following elements are included:

- Pure flat rate
- Based on a stair step program using dollars instead of a percentage increase
- CSI

SERVICE TECHNICIAN			
(1)	Flat rate		
(2)	Flat rate pay is dependent on hours produced using the table below. Based on a bi monthly payment cycle	\$	\$
	<u>Flat rate hours produced for the period</u>	<u>Pay per flat rate hour</u>	
	• Under 80 flat rate hours for the period	\$15 per flat rate hour	
	• 80 – 90 flat rate hours for the period	\$16 per flat rate hour	
	• 90 – 100 flat rate hours for the period	\$17 per flat rate hour	
	• Over 100 flat rate hours for the period	\$18 per flat rate hour	
(3)	Bonus of \$200 if CSI is above district average	\$200	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- Similar to the previous pay plan example. Instead of using a factor for the basis of pay per flat rate hour, an actual dollar amount is used. Statistically, this method of using actual dollars is less expensive than the factor method shown previously.

4: RECIPIENT: Service Technician

PAY ELEMENTS: The following elements are included:

- Flat rate and a per piece work rate for certain competitive tasks
- Christmas bonus for all technicians
- CSI

SERVICE TECHNICIAN (A type)		
(1)	The payment per flat rate hour is xxx. (\$25 per flat rate hour is the example being used – insert your own specific dollars paid per flat rate hour)	
(2)	Exceptions to the payment on a flat rate hours basis are shown below:	
	a) Highly competitive work will be paid for on a piece work basis. The schedule of the jobs to which this applies is appended to this document b) You may accept this work at the specified piece work dollar amount. There is no coercion to accept this work if you do not wish to	
(3)	Christmas bonus is paid on the 15 th of December. The dealership will add 20 cents per flat rate hour to a Christmas pool that will be split amongst the technicians	\$ \$
(4)	Bonus of \$300 if CSI is above district average	\$300 \$
(5)	Bonus pool of 0.5% of the total labor sales split amongst all service technicians	0.5% \$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The combination of flat rate hours and piece work pay may become a way of life as dealers must be competitive and the work mix has shifted from repair work to maintenance work. Your more experienced techs have less work and this pay plan gives them a way to supplement their income.
- A Christmas bonus is a good idea that costs the dealership only 20 cents per hour. You can fine tune eligibility here to must be employed at the year-end or only for technicians who have been with the dealership for two years, etc.

5: RECIPIENT: Service Technician

PAY ELEMENTS: The following elements are included:

- Flat rate
- Team bonus pool if monthly objective is met
- CSI bonus dependent on flat rate hour threshold attainment
- Upsell bonuses available

SERVICE TECHNICIAN			
(1)	Flat rate		
(2)	Bonus using a 'production pool' that receives 50 cents per flat rate hour. This pool is shared monthly with all technicians provided the total hours produced exceeds the objective that is reset each month	50 cents per FRH	\$
(3)	Bonus of \$200 if CSI is above zone average provided the technician produces in excess of 170 hours for the month	\$200	\$
(4)	Upsell bonus pool of \$1,000 is used in a game of chance (scratch pads, etc.) to allow technicians the chance to win some cash for every documented upsell they generate	\$1,000 ÷ # of techs	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The production pool is an idea on how to get all the technicians to work together for a common goal.
 - The CSI bonus is noteworthy in that it can only be earned if the technician meets the production target that is set.
 - The upsell opportunity adds some fun to the proceedings and, at the same time, allows technicians to earn a little extra cash if they take the effort to upsell. There needs to be documentation to prevent misunderstandings that could crop up.
-

6: RECIPIENT: Service Technician

PAY ELEMENTS: The following elements are included:

- A percentage of the selling price of labor – quite different from the norm
- Production bonus provided if monthly objective is met
- CSI bonus dependent on flat rate hour threshold attainment

SERVICE TECHNICIAN			
(1)	24.0% of the dollar labor sales will be paid to each technician	24.0%	\$
(2)	Bonus of \$1.00 per flat rate hour if the technician produces at least 150 hours per month	\$1 per FRH	\$
(3)	Bonus of \$250 if the technician's CSI is above the zone average and the technician produces 175 hours for the month	\$250	\$

ADDITIONAL COMMENTARY:

Comments & Observations:

- The 24.0% participation based on the selling price of labor – net of discounts – has some noteworthy advantages:
 - The dealership is assured a gross margin of 76.0% no matter the type of work performed.
 - The work can be done by any technician (provided they are qualified).
 - The more efficient technicians will make more, but will also produce more gross for the dealership.
 - More experienced techs will not be overlooked on maintenance work because of cost per hour considerations. Since more of the work is shifting to maintenance work rather than repair work, this becomes an important factor.
 - The downside would be that a master technician may experience a fall off in income if they do not work efficiently.
- The production bonus should be an easily attainable target. Basically it can be looked at as a salary, unless production really falls off.
- The CSI bonus is production dependant which I am not in agreement with. I don't think that a CSI bonus should be tied to hours produced as a technician may have a great CSI score, but not have the work on hand.