



# AUTOMOTIVE TRAINING INTERNATIONAL

## PAY PLANS & MANAGEMENT Mutually Exclusive? By: Tyler Robbins

Always a popular topic, and one that I am constantly asked about as I travel North America, is that of Service Pay Plans.

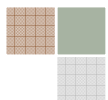
Certainly, in our business, as with any business, performance enhancements are an absolute necessity and, pay plans can go a long way towards ensuring performance improvement, as it can just as easily, result in stagnant performance.

Shop Owners, Dealers, Directors and Managers all want to ensure the ongoing growth of their business, and they are reliant upon their front line 'force' to ensure this happens.

The first challenge is that rather than developing a pay plan to grow their business, most attempt to develop a pay plan that resolves all of their operational, customer satisfaction procedural, expense and sales performances with one all encompassing, super duper, catch-all pay plan. The second, and probably bigger challenge, is that such a pay plan, typically does not have the intended affect and so the search for that Super Duper pay plan goes on.

When developing pay plans for your Service Consultants, consider on a much more simplified level, what you truly expect them to do. Service Consultants, in a nutshell, are responsible for selling maintenance and repairs.

Now, realistically, repairs are not as much of a "sale" as they are a provided-cure. Think about it, a customer comes into your operation with a ticking noise; the customer already knows that he/she has a noise and obviously wants it fixed. There is very little "selling" that actually has to occur here, by virtue of the customer even arriving at your operation to have them fixed, has effectively already chosen your shop to have this repair performed. Sure, the Consultant has to provide an estimate and get an approval, but how much 'selling' is actually involved.





A truly successful, selling Service Advisor/Consultant is the one who ‘sells’ needed maintenance when customers don’t come in looking for it. Instances like when a customer arrives for an Oil change and tire rotation and the Advisor successfully ‘advises’ the customer of the need for their 30,000 mile service, which is added to the repair order before a technician ever sees it. That’s selling!

Most Service Advisor/Consultant pay plans end up ‘rewarding’ the sale of the ticking noise repair very heavily. If we all agree that the example of the 30,000 mile service is representative of an Advisor truly growing the business, then the balance of this article will make a lot of sense and help you enhance your pay plans. If you don’t think so, keep reading because frankly, you’re viewpoint is skewed and your performance overall is suffering because of it!

Dealers, Managers, etc. say to me that “gross profit” is their ultimate objective, so therefore, they want to reward high gross profit. On the surface this seems to make all of the sense in the world, however, when you take a closer look at it, it can be absolutely detrimental to the overall objective.

Let’s get right to the point, shop owners, dealers and managers do want gross profit, in fact, what they really want is very simply – MORE OF IT!!

What that really means is not a higher gross profit percentage, but an actual increase in the volume of business thereby increasing the sales and of course, with more sales comes more gross profit!

The unfortunate reality however is that dealers and managers get so focused on the percentage, they neglect to look at the actual amounts. Realistically, what would anyone prefer; one more hour sold with an 80% gross profit or 2 more hours sold with a 70% gross profit? What about 10 more hours at 50%?

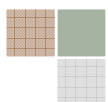
For far too long, this industry has been so hung up on the percentages, its lost sight of the goal, that being simply – MORE, more of everything, more hours, more parts, more, more and more.

So with “more” in mind, ask yourself does your Super-Duper, all encompassing effort actually generate more, or does it generate more of very specific services and repairs that provide a higher percentage.

### **WORK THE PAY PLAN**

Do you have a factor in your pay plans for gross profit percentages? WHY?

Service Advisors don’t set the prices of the services and repairs you sell – the Manager does! With gross profit factored into the service advisor pay plan, you all but ensure that services that YOU have priced with lower percentages, for obvious competitive reasons, adversely affect the advisor. An oil change with its low gross profit percentages will hurt his/her pay. What will the Advisors learn to do?





Do you have an Hours per Repair order factor? WHY?

Again, oil changes and rotations as examples are great services that help retain customers, but by themselves have low hours, and high volume, thereby adversely affecting their Hrs/RO. What will the advisors learn to do?

Do you have “spiffs” for specific services? WHY?

With the goal of “more”, a spiff on an individual service or repair will, unquestionably result in more of that particular service or repair being sold, but at what cost? Do you want service “A” sold or Service “B”? Will the advisors steer customers from a non-spiffed service to a spiffed service? Realistically, you want them to sell A and B.

Do you have a Customer Satisfaction factor built in? WHY?

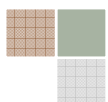
Every dealership has customers that are “challenging.” Advisors know who they are, and when they see them arrive, it’s mad-dash to get away from the write up area so that they aren’t “stuck” with that customer who will inevitably provide a bad survey later. The reality is, the customer is there and is going to do business with one of your Advisors, so the survey is coming regardless. I agree with rewarding good customer satisfaction, but with the customer satisfaction ‘built-in’, you teach Advisors to shift the “bad score” amongst each other. Is that what you really want?

Does the pay plan reward more for Customer Pay?

Again, the intention is good, that being to sell more customer pay, but is that the actual result? Or, like the “survey” shifting, do the more aggressive, more senior advisors simply bully the less aggressive, less experienced advisors into giving up their customer pay and taking on warranty and internal work. Better still, what do you think the pay plan will teach advisors to do?

As Managers, we also need to work our pay plans, and we should know that our Advisors will be working theirs, and frankly – we want them too, we just need make sure, we don’t create a pay plan that, once it is worked, has negative impacts on other performance. You also have to ensure that all of the departmental pay plans are in-line with each other. An example would be a warranty clerk who is penalized for disallowed warranty. He/She knows what will reject before it is sent and will ‘work’ to have it ‘written-off’ before it is submitted. The disallowed claim percentage goes down, but again, at what cost? Would you be better off “trying” to submit and failing? Does the pay plan support that principal?

Look at all of the “Factors” of your pay plans, how do you want your staff to “work-it”. If they work it they way you expect them to, does it get you closer to the ultimate goal of “More”.





For Dealers and shop owners, you also have to ensure that the Manager's pay plan is in line with the overall objective of MORE too. Obviously, the Manager has additional responsibilities and therefore his/her pay plan will be somewhat different. If the Manager is paid on gross profit percentages, won't he structure his advisors and other personnel pay plans to help achieve his goals? If the manager has no control over certain sales or expenses, such as "rent", is it motivating for the manager when his pay is adversely affected by a rent increase? Rent increases are natural, expected increases, but not within the realm of control of the manager – don't penalize him/her for that increase, rather, reward them for controlling the expenses that they can control.

Ask yourself – does the pay plan reward the behavior and actions that you ultimately want or is it penalizing behavior and action that you don't want? There's a big difference – Motivation is that difference. People will be motivated to succeed when good behavior and actions are rewarded! People will look for loopholes when actions and performance are penalized.

Pay plans will manage behaviors good and bad. Pay plans will not, nor can they ever be a substitution for Management. People still need to be managed, coached and trained to produce the goal-enhancing performance and behavior that you want!

Remember – if a pay plan could manage people, we wouldn't need any Managers at all!!

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