

Counterman Quarterly Newsletter

Tech Tip of the Month



Meet The Nut - Commissions

Whether you want to motivate employees to make more sales, or reward them for their ability to sell (or both), the information in this article should help. The core idea is to help boost parts and/or service sales by incentivizing your staff monetarily. Having to delve into this myself from shops I have ran in the past, I'd like to share my knowledge and input in this regard.

Yes, it 'could' mean paying them more, but consider your options before assuming it's going to cost you more. This is not necessarily true, so long as the incentive to sell more increases the profit margins and any commissions you provide the employee are totally based on profit margin. This is critical! Commissions are a reward for sales performance! High sales can be generated simply by applying discounts, which creates the reverse affect. Unless profit margins are retained and gross profit levels are increased, it makes no sense to provide any commission based reward, even if total sales are tripled!

Additionally, consider using a commission based on sales made OVER the average profit the employee normally generates. I call it, "Meeting The Nut". Basically, you look at the average profit amount that is normally generated by the employee and use that as a "goal post" (so to speak). This "Nut" is the average profit amount the employee is currently generating with no commission incentive to sell. Once you have the "Nut" you have a place to start.

I'll start with an example using a parts

salesman named "Joe". After running an Employee Activity Report over a large date range in Counterman, I see he generates an average profit of, say... \$3000 per month. Now I know he's can continue to perform at this level and I can expect that average to continue. But if I incentivize this and explain to Joe: From now on, we will pay you a 20% commission on any profit you generate, AFTER you 'Meet The Nut' of \$3000 a month. Using this method, it does not cost you (as an owner) anything until AFTER Joe has generated \$3000 in profit. But once he does \$4000 in profit, he just made \$200. Of course, you would need to generate the report, adjust the "Nut" amount and figure out the best commission percentage level that will motivate your sales person, as the amount and percentages I used in this example are for math simplification.

The good thing is (using this method), your shop cannot lose anything and only stands to make more, because the concept is totally based on increased sales and comes direct from profit only. The sky is the limit for the employee too. The incentive is there to motivate them to sell more. There is no cap on how much commission money they can make! No matter what the bottom line ends up being, you can make more money and your employee can make more money. A win-win situation.

It is also worth noting, reports can also indicate "who" made the original sale, when it comes to 'sale credit' for Special Ordered parts. For instance, what if one employee generates a Special Order but

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UPDATED PRICE BOOK VENDORS (FOR THIS RELEASE) 33—NEWLY UPDATED

AD Advantage Perf.	FX Fox Racing	LT Leatt (NEW)	SN Sullivan's USA
AP Andrews Products	FH Fulmer Motorsports	MC McDonald ATV	TM** Triumph M/C
AR ** Arctic Cat USA	HD** Harley-Davidson	MU Mid USA	TR Tucker Rocky
AR ** Arctic Cat (Canada)	HH Helmet House	MP Motion Pro	VT Tedd's V-Twin
BH Bell Helmets	HQ** Husqvarna	PT Power Twins	WP Western Power
BM** BMW	KM** Kawasaki M/C	PU Parts Unlimited	YA** Yamaha
CA Castle Sales	KN K&N Engineering	RO Romaha	
CCI Custom Chrome	KT** KTM Motorcycle	SB Sullivan Bros.	
DS Drag Specialties	KA Kuryakyn	SM Southern M/C	

IMPORTANT!
(NEW) = New Vendor/Supplier!
**** = OEM Franchise Only!**
 (or retail prices only will be provided)

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Meet The Nut - Commissions *CONTINUED FROM PAGE #1...*

the final invoiced transaction, for the Special Ordered item, get's picked up and processed by a different employee? Who gets the credit for the sale? Well, the original Special Order is where the "actual sale" took place and providing credit where credit is due is an important factor when it comes to being fair about commission pay outs. The Employee Activity Report allows for this and can add any Special Order transactions for the targeted employee, while removing any S/O transactions that were not initially sold by the same employee. My suggestion would be to run this report and select Detail Audit Trail + Show profit % instead of Cost for each transaction + Report By Employee (select the employee code without Department code) + Employee Sales Report, then enter the Date Range. If you need assistance with this report, please contact our Tech Support staff.

UPDATING INVENTORY FROM PRICE BOOK FILES

Counterman goes to great lengths to make sure you have the most current and up-to-date pricing information from the vendors and suppliers you use on a regular basis. Part of our staff is dedicated to contacting these vendors/suppliers on a regular basis in order to get this valuable information from them. After which, we convert this data to be used within Counterman DMS software. Once these processes are completed and tested, we make them available to our users immediately on line. If you have downloaded price book files using the program called "Counterman Update Manager" (Counterman supplies this program free of charge), then you already understand what a benefit this can be. If you would like to use this feature, the download for the Counterman Update Manager is available at our website. Additionally, we release a Price Book Update CD on a quarterly basis for those users who cannot (or prefer not to) download them. Bottom line is, we make a very strong effort to insure you have the latest information from your vendors/suppliers as quickly and accurately as possible. However, we still get calls from users who say something like: "The prices Counterman show for this (or that) vendor are wrong!" Obviously this does happen from time to time, but more often than not, the cause is not the Counterman software. Several things come in to play that can cause incorrect pricing information. First and foremost is whether we have received current data from the vendor/supplier, as many of them make it difficult to obtain the price book data on a regular basis. But the biggest reason is due to the user (you), who has not properly updated inventory records within the software to properly reflect changes from the vendors/suppliers AFTER running the price book update Counterman supplies. This is a process that is definitely necessary if you want to keep your pricing information as current as possible. In the past, it was a little cumbersome because the process of "Updating Inventory From Price Books" meant you had to do each vendor/supplier individually, one at a time. Counterman originally did this on purpose so you could control how each vendor/supplier updates separately. However, because most users now simply update the information the same way across the board for all vendors/suppliers, we made this process much easier a long time ago, where you can update all of them in one process. It should be noted that some vendors don't/won't take the time to properly price their items on an "EACH" basis and this process could affect any pack-quantity items if they were not entered into inventory correctly.

Just in case you are not running this process, I have included some basic information on how to begin below:

1. After updating your price book files by using either the Counterman Update Manager, or by running the Price book Update CD, it will first be necessary to Update Price Books from the Utilities Menu, 5-Update Price Books. This will license the price books and allow you access to them.
2. Although I'm not covering the details of this process here, if you plan to apply "Flexible Pricing" or "Hot Rodding" to the price book files, this is when you want to run this "optional" process.
3. Backup your Counterman data! If, for some reason, you're not happy with the results, restoring a backup is the easiest way to put things back to where they were before performing this process.
4. To "Update Inventory From Price Books" (if multi-user license make sure Counterman is closed on all stations except for the station you will be using) and run it from the main (server) computer if possible (it's faster).
5. From the Main Menu, select 1-Maintenance/Display, 3-Flexible Pricing, 3-Update To Inventory, 4-ALL Vendors. Be careful when answering the questions on the screen that follows, most notably, do not update "Cost" when selecting to Update ALL! This will cause you to lose your cost information because you are replacing the existing cost with the price book cost. We're happy to assist with this process too!

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Ralph Weaver...

