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### **Motivating and Compensating Your Sales Team**

Some years ago, I had a sales person who simply quit selling. After years of being one of the leaders in my sales group, she suddenly fell to the bottom of the ranking. She still came to work every day and she seemed to be working, but she made fewer and fewer calls and no longer tried to respond to customer objections. I sat down with her to talk about what was wrong. We talked for a while and finally she told me, “I just don’t want to do this anymore!” She went on to tell me that she went into sales when her sons were in elementary and junior high school. Her objective was to save money for her kid’s education. She gave it all she had until the last of her three boys had earned his master’s degree in engineering at Penn State. I was amazed at her dedication to her sons and her self-discipline which allowed her to keep at a job she actually hated for the better part of two decades. I arranged for her to keep her job for a month, which allowed her time to find a position more to her liking. This story highlights the importance of understanding our sales rep’s personal goals and how to use them to motivate our people to do their best.

#### **Why did the sales person cross the road?**

What is it that motivates your sales people to get up in the morning, put on their business clothes and make sales calls? The obvious answer is money. People work to earn a paycheck; this is especially true of sales people who work on commission. Money is undoubtedly a key component in motivating sales people. A sales person who cannot afford to make ends meet and care for their family cannot be expected to stay motivated for long. This is why it is important to design a sales compensation plan that provides sales people with the opportunity to make a living.

When formulating a sales compensation plan, there are several factors to consider:

- Does the compensation plan allow reps to earn a reasonable living
- Does the compensation plan allow the company to make a reasonable profit
- Does the plan reward the rep for doing things that are in alignment with the company’s goals
- Does the compensation plan motivate the sales person
- Is the plan manageable

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Before implementing a new compensation plan a manager needs to research the potential earnings of the salespeople. The best way to accomplish this is to use the reps sales history to model the new plan. Look at the sales generated by your team in the previous few years and compare what they would earn under the new plan. You can use this data to “sell” the new plan to your people. People tend to fear change, so it is important that they understand the new plan and be reassured that the new plan will not hurt them. If your situation is forcing you to cut labor costs it is vital to explain this to your people. When implementing a plan that results in a de facto pay cut for your people expect, and plan for, turnover in your sales team.

There are many schools of thought on the relative benefits of straight commission, versus salary plus commission or straight salary. I am a strong believer in tying a rep’s earnings to their sales performance. The only downside of a straight commission plan is the “roller coaster” nature of these plans. This makes budgeting their earnings difficult for your sales people, because of the fluctuations in their pay checks. My company addresses this by using an “average commission plan.” At the end of each quarter, we calculate the average weekly commission earned by each rep during the period. We pay the reps this amount each week during the next period. For example, if a rep averages \$1,000 per week in commissions during January, February and March, they will be paid \$1,000 per week during April, May and June. Their sales during the second quarter will determine the amount they will be paid in July, August and September and so on. The advantage of this program is that the reps know exactly what they will have in their pay envelope each week. Our managers use this plan to motivate the reps by showing what they need to do to achieve their earnings goal for the next quarter.

When crafting a sales compensation plan, it is important to consider the company’s sales goals. Commissioned sales people tend to be passionate capitalists; they will do whatever is in their own best interest. The amount of time and energy they put into selling a particular product is directly related to the compensation they receive for selling it. For example, if you set a corporate goal of increasing sales of digital products, your compensation plan should heavily reward sales in this area. My company gives each rep a digital goal and pays them a hefty bonus if they hit their target. You should also consider the difficulty of selling a particular product when building your plan. Like everyone else, sales people will seek out the path of least resistance. If a product is difficult to sell or requires additional paperwork, a rep is more likely to present a product that requires less effort to sell.

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One of the hallmarks of an effective sales compensation plan is its simplicity. In the past I worked for a company that used a complex matrix to calculate rep compensation. The “grid” as it was known factored in many variables like customer count, the specific products sold and several other factors. The result was a plan that Stephen Hawking would have trouble deciphering and did nothing but confuse the reps. Managers began to hate pay days, because they knew they would spend endless hours with an irate rep in their office with accounting on the speaker phone trying to explain why they were paid what they were paid. A good sales compensation plan should be simple. Ideally when a rep walks out of a customer’s office with a signed order, they should know exactly what they earned on the sale. A simple plan is also easier for your payroll people to prepare and decreases the likelihood that there will be any mistakes in anyone’s pay check.

When I managed a sales team, I would often be seen stopping at Toys “R” Us after work. This was part of my sales motivation program. I believe that one of the most important functions of a front line sales manager is to “personalize” the company’s compensation plan to each individual sales person. On a regular basis I would sit down and talk to reps about their personal goals. This was not a discussion of the “numbers” and their position relative to the goal assigned to them by management, which I covered in our regular weekly sit-down. In these meeting we discussed the rep’s personal goals, essentially what they would do with the money once they earned it. Once I knew what they were working for, all I needed to do to motivate them was to remind them of what they were working for. My trips to the toy store gave me a way to literally keep their goals in front of them. For example, one rep who was single and still lived at home was saving for a top of the line motorcycle. The next morning when he arrived at the office, he found a detailed die cast model of a Harley Davidson on his desk. Another rep who was saving up to pay for her dream wedding found a bride and groom cake topper at her work station. Everyone knows the old statement that “When you’re up to your butt in alligators, it’s hard to remember that the objective is to drain the swamp.” It is far too easy to lose sight of a goal when you are wrapped up in the day to day details of selling advertising. My “toys” gave my people a visual reminder of their goals and what they were working toward. I would frequently ask my reps how much they wanted to earn and then engage them in discussion about what it would take to get there. I am a big fan of the “carrot” over the “stick,” but this only works if the rep can always see the dangling carrot in front of them and that it’s easily in reach, if they just stretch a bit.

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All good sales managers know that there are many factors that impact their reps level of motivation. It is important to recognize your reps, keep them informed about their own and the company's progress and to provide them with opportunities to grow professionally and personally. Important as these things are to getting the best out of your people, they will not follow you for very long if they are not properly compensated. The legendary sales trainer, Zig Ziglar, frequently was heard to say, "Money isn't the most important thing in life, but it is reasonably close to oxygen on the 'gotta have it' scale!" Developing a sales compensation plan that is fair to your reps, fair to the company and achieves both the reps and the company's goals will keep your reps motivated and make your job as a manager much, much easier.

*This article was written by Jim Busch of the Pittsburgh Pennysaver.*

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