There's No One Way To Pay Sales Staff

BY JACK FOSTER

When it comes to compensating agency salespeople, it would appear there are any number of variables that agency owners weigh as they consider the most effective means to ensure their sales force is focused on the ultimate goal — selling. Those variables include:

- Positioning the ever-present goal of incenting salespeople to stay aggressive and do what they do best — sell.
- Years experience in the industry and in the field.
- Contacts — or lack thereof — in the territory.
- Even age, family and financial responsibilities.

So, while the ultimate goal — sales success — remains a constant, the varied roads reps travel to reach that goal show the truth to the axiom that no one size fits all.


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Ron Garten explains that all of the aforementioned targets are clearly in his sights as he's employed a variety of compensation approaches over the years. Garten, CPS/Garten Corp., Irvine, California, explains that in addition to representing manufacturers' lines "I also have distribution lines out of our warehouse. I employ a commission-only approach with some individual agents, have salaried salespeople and also make use of a bonus program. I even have one fellow I pay a spiff to commission advance. However, if he doesn't meet his goal, I don't deduct the advance."

Some other approaches Garten has employed include incenting sales staff with everything from bonuses, dinners, movie tickets. "All of the efforts have worked well in the past," he says. "What I've done is if a salesman makes so many calls in a week, he can be in line for a bonus. If he gets so many specifications in a week, they receive a certain number of points. The same if they bring in so many orders. If they reach the minimum goal for points, they get dinner for two. The next point level gains them dinner and a movie. Ultimately they can earn a $500 or $1,000 bonus, plus dinner, plus a movie."

He adds that just as there are rewards for performance, so too are there consequences for non performance.

In contrast:

- Tony Bruno, Adhesive Brokers, Tustin, California, says, "The way we compensate our salespeople is really very simple. We've divided them into two categories: employee salespeople and independent contractors. Our employee salespeople are salaried and then receive 50 percent of the profit revenue they generate via sales. Independent contractors, on the other hand, agree to a 60/40 split with us, with them receiving 60 percent commission."
- Van Sintchak, SS Marketing, Walnut Creek, California, adds that his fulltime salespeople work on a base plus commission basis.
- Marty Grimes, Assembly Solutions, Inc., Covington, Kentucky, explains that ideally a 55-year old industry veteran with great contacts in the territory might require a low draw against commission because there are a wealth of opportunities for them to make plenty with the commissions. On the other hand, someone in his mid-20s with a couple of young kids and relatively few contacts is going to need some help.
- And, Duncan MacDonald, CPMR, Engineered Industrial Products, Cerritos, California, notes that "A few years ago we instituted a pooled-commission program that has elements of direct territory compensation and shared compensation for sales and sales growth for the whole company. This year we modified the program from a quarterly adjustment off draw to a monthly adjustment, making it more responsive and more objective for our people. We have also put a lot of effort into understanding what it takes to keep our people long-term and have a profitable business. It requires that we have a much better than average benefits package, strong structural support, and high expectations for performance. In California, a territory may have to do twice as much volume as a Midwest territory to keep good people and stay profitable. It's a never-ending challenge to make it work, but I believe we have it figured out — at least for the time being.

Rewarding Incentive

Going into a little more detail on how he motivates his sales staff, Dave Salerno, Phoenix Marketing, Monroe, Connecticut, says a salesperson's innate de-

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sire to make money is the foundation for his agency's approach to compensation.

"It's really quite simple," he says. "We only hire people we believe are motivated to make a lot of money. Basically we're dealing with commission sales and the built-in incentive is the more you sell, the more money you make."

Having said that, he continues, "Basically everyone does start off with a salary. We don't call it a draw vs. commission and we don't ask for it back. Our thinking is that we want the salesperson to feel as if they're part

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of a family. I don’t want to have a number of people who are viewed as ‘hired guns’ working for us. We want our people to feel as if they’re actually connected to us.”

Another reason he believes in starting off salespeople with a salary is that “For instance, if we hire someone who has two kids in college and he’s carry a big mortgage, I don’t want his problems to become mine. It’s not fair to either of us to hire someone who comes into the mix with such a financial burden that he can’t handle the work for a while. That’s why the salary over a given period of time is so beneficial.”

Salerno maintains that there are so many rep organizations that “Whether they’re selling janitorial supplies, ammunition or t-shirts; all they’re really looking for is warm bodies. That’s where we differ. We want someone who’s committed to our agency and someone who will be representing us 100 percent of the time. Our philosophy is to hire someone, pay him a fair salary so he’s free to go out and work and not worry about paying his bills. Once he gets up to the commission level, then he’s a full-commission rep.” He adds that in his industry, flexible films, that usually takes about six months.

Where and how does Phoenix Marketing find and hire the individuals who will respond to this type of compensation approach? According to Salerno, “It’s a mix. Sure, I might rather have an industry veteran with lots of experience in the industry and the territory. But bottom line, hiring someone is a very subjective business. I’ve hired a lot of young people and a lot of people who weren’t even in this industry, and they’ve all become quite successful. One of the problems you can have with a new hire is that there’s a danger they can run their course. They’ll get something like a six or 12-month guarantee and all of a sudden they don’t fulfill their responsibility and we’ll discharge them. We basically know who the good guys are in this industry. And the good guys are the ones who’ve developed relationships with their customers and are trusted by the customer.”

The Case Against the Draw

Another Connecticut-based rep describes his approach: “We deal in capital goods, so it takes quite a bit of time for something to develop for our salespeople. We put our salespeople on a draw against commission because they need the support of a draw for a period of time (six to eight months). After that period of time, we can generally tell whether someone is making progress. In the interim, we can gauge their progress by looking at their success or lack of success in establishing relationships in the territory and closing some existing deals.” He adds that he does have certain misgivings about this approach, however: “One thing I don’t really like about the draw against commissions is it’s almost like going into debt. As a result, some people wind up looking over their shoulders as they anticipate paying back that draw. What happens is that they do that at the expense of really spending their time doing what they’re supposed to be doing, which is selling.”

Closely related to the subject of compensation, according to this rep is the looming problem of health insurance and how the agency provides that and at what cost. For instance, he cited his own health insurance cost as exceeding $23,000 last year. Add to that the fact that he provides insurance for his employees, and this is a major compensation concern. “Right now we cover half our employees’ premiums and they have to pick up the expenses for their families. Even so, that’s a considerable expense for us and them.”

If conversations with more than a half dozen rep agency owners in the preparation of this article shows anything, it’s that there’s no magic bullet or one approach that’s going to work across the board for agencies. If anything, the reps interviewed for this article stress that what they do works for them, but they’ve only reached that level of success after several years of trial and error. They’ve all admitted that they’ve learned from their errors and been able to reach a comfort level that is effective for both them and their sales staffs.