

# Remuneration of Your Sales Force and Customer Service Team Members

How do you decide what remuneration packages to adopt? How do you ensure that your remuneration packages incentivise and motivate the right people? How do you make sure that the amount of pay helps your staff with their lifestyle requirements?

These questions are vital ones to anybody trying to run a sales team or customer service team, when you have a look at how you can actually reward personal effort as well as maintain service.



In looking at any remuneration package, it's worthwhile to consider a set of scales.

In any job description, there is an opportunity to analyse the work required into service aspects whereby these things have to be done to maintain the client, or maintain the client relationship, such as receiving orders, implementing orders, handling queries, general items of customer service, and also perhaps even merchandising or helping with displays,

as well as ensuring that stock levels are adequate, these can be called *service areas* or *service responsibilities*.

On the other hand, a sales person or customer service representative could influence the value of the sale through their personal sales skills, personality, and training, to either make the sale happen, add value to the sale, or sell some specific items that are on special or on bonus, at the point of communication, either by phone, by web, or face-to-face. This particular activity is known as *personal contribution*.

A relatively easy formula to follow is by adopting the scales of remuneration, you can then analyse the input from the people involved.

If there is high service requirements and service levels in the performance of the job, and little opportunity to add personal influence, then a wages or base salary system will be the most cost efficient to make the results work.

If there is a high personal input, whereby the sales person can strongly influence the amount of the sale or the profitability of the sale, then you can reward that personal effort by special commissions, share of profits, special incentives, and special rewards, for the sales as they occur after the event, and lessen the base salary or wages that need to be paid by increasing the risk factor, which of course the personal touch will overcome.

Strategies with this personal input can include:

- Commission on sales, which will drive the sales result but can lead to aggressive discounting.
- Commission on the profit generated, which will lead to profitable sales above a certain target percentage and encourage the sales people to focus on the profitable lines that need to be sold, profitable added value, and focus on profit. However, this means the company need to disclose in some manner the profit margins or the profitability of certain products or services.
- The final personal incentive can be a mixture of reward for the team getting their budget achievement through the use of both service and personal effort, but also perhaps 50% of that reward comes from the personal effort of individual members of

the team. This then leads to greater enhanced teamwork in selling the profitable products and services that the company has.

If your organization is primarily service based on our scale, then wages and salary with an annual review, perhaps a team result on a quarterly basis, will provide a good remuneration program to keep those service levels being maintained and perhaps even being increased.

If your organization needs to be sales driven, then you clearly have to separate the strategies that you are going to employ to either drive sales, drive profitable sales, or drive teamwork amongst the individual members of the sales team.

It is worthwhile considering that A category clients could be driven on their profitable sale contribution, B category clients could be driven on the extra added value products or services that have been added to the sales mix, and C category clients could be just driven by sales revenue increases.

While it is useful to report results to the sales team members on a regular basis, eg. monthly or even weekly against target, it is preferable to pay out incentives on a quarterly basis so that the sum being paid is larger and also it is seen to be a worthwhile contribution of the efforts over the quarter, which may have had a good trading month, a bad trading month, and a catchup trading month, which over the whole quarter has managed to achieve in excess of the budget performance.

Traditionally, New Zealand sales representatives and customer service teams are very comfortable with a 10 to 15% at risk commission factor driven to achieve sales results.

When we want to achieve profitable results, you might care to lift the percentage to 20 to 25% at risk in remuneration which is based on the profitability.

Full time commission only sales remuneration programs will simply drive sales at any price, perhaps with aggressive discounting with no regard or need to have regard to the profit contribution.

New Zealand sales commission representatives can sometimes find it hard to get finance for mortgages and funding because the banks are not comfortable with commission only positions.

The basis of a commission only position also needs to consider that the person needs to be able to earn enough to pay their mortgage and a basic food bill out of everyday, normal activities from their commission payments, and these may have to be paid on a weekly basis. However, as their sales increase then the commission structure should be set, so that they get truly rewarded for tremendous personal effort.

Untidy conditions like including holiday pay within commissions, determining people to be contractors rather than employees, are things that cloud the issue and arouse suspicion with the optimistic sales person as to what the owner or manager is trying to do.

The key concept with wages or salary based is that employees must know a set time of the year when their remuneration will be reviewed, and generally a percentage (3-5%) is applied across the board to all individuals, which maintains their points of difference but also ensure that there is little aggrieved talk amongst staff members.

Additional rewards, which can include trips away, are ideal as bonus incentives for achieving in excess of a budget. New Zealanders love overseas travel, whether it is to Waiheke Island or to Nelson or Australia or the Pacific Islands, it is certainly a reward. However, remember that quite often there is a partner involved, and the partner would need to know where they are going and whether they would like to go to this particular destination.

Other incentives, like dinners, theatre nights, sports tickets, movie tickets, and entertainment functions, are all very good as they have a perceived higher value than generally their costs, and people can go and enjoy the actual activity as a reward earned for hard work. Even the humble “Daily Moro Bar” given to the customer service team for the best win of the day is a great incentive for sharing with people the fun involved enjoying some wins and successes.

It is very important to communicate to your sales team the basis and process of your remuneration program in writing at the beginning of their employment, and at the beginning of the trading cycle in which you are going to be measuring people, and then there is no avenue for dispute later on.

The laws relating to commission payment are no different to the laws relating to wages and salary, and there can be no retention unless it has been agreed to by the employee for sundry items of cost.

Of course, at a senior management level, sales management and above, you could include the original concepts of remuneration based around the sales team achieving a budget, you can include travel, and even share options or dividend options, based on performance.

However, don't fall into the trap of the Fortune 500 CEOs and management who were allowed to falsify records to ensure quarterly or 90-day results look good as a way of continuing to achieve their bonus options.

Remuneration should always be based on the concept of rewarding individuals for their individual contribution over and above what was expected.

Use the scales balance to determine the responsibilities and duties of the job description before deciding on your remuneration program.

Enjoy your planning!

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