Updating Your Comp Plan

Consider reinventing your sales team structure

by: Dale Stein, Technology Assurance Group (TAG)

Microsoft just saved Apple from going bankrupt and Facebook does not yet exist. The world's first text message was sent and there is a new search engine start-up launching named "Google." While you deliberate investing in Google, your daughter tugs on your arm because she wants to teach you a new dance called the "Macarena." What does any of this have to do with your sales team? Everything.

Consider this question: When does a compensation plan become an obsolete financial tool? Compensation plans dictate employee behavior. However, most office technology dealers are still using the same compensation plans they used in the 1990s and wonder why these ancient plans have not kept pace with the modern world.

If you want to remain a competitive, high-performing, rapidly growing company, each individual needs to be financially incentivized to act in alignment with those company goals. That is why you started paying a commission in the first place, right? However, what type of sales atmosphere have you ended up with? Are your sales team members full of highly energized, motivated individuals who are hungry to chase down every new lead you place in front of them? Or are they more passive, reactive and lethargic?

While it is tempting to either blame employees or hire a promising sales manager to spur activity, after advising hundreds of companies over the past 20-plus years, we assert that it is not your employees who are the problem, it is the system you are putting them into. Modern problems require modern solutions and financial incentives are no different.

It is not your personnel, it is the system. Typically, when owners reach peak frustration, they hire a sales manager. It is an oversimplified solution to assume that if only we had the right employees and manager, everything would magically fix itself. However, if this problem has been recurring, you may want to revise the financial system they use.

If you are ready to transform your sales team members into individuals who actively generate new opportunities, hunt for leads and are eager to take the company to the next level without having to micromanage them, there is no other way to achieve that intrinsic motivation than by restructuring their compensation plan.

The Problem With Traditional Plans

Traditional commission-based compensation plans incentivize an atmosphere where salespeople focus on low-effort, passively generated opportunities, almost as if they were inside salespeople. If your outside salespeople spend most of their time reactively answering phones when customers spontaneously call, renewing existing contracts and benefiting from passive income from prior sales, you essentially do not have any outside salespeople — you just have a team of inside salespeople who will have a difficult time being motivated to achieve high performance.

You have to incentivize your team members to grow your customer base. If their compensation plan does not achieve that effectively, why would they prioritize new business over effortless sales?

Business owners have a misconception where they believe that their salespeople all have unwaveringly loyal relationships with all of their accounts, which are so strong that customers will follow the salespeople if they go to other companies. However, this usually is not the case.

In fact, if you check your CRM, you might be stunned to discover just how many of those customers in "exceptionally strong relationships" have not been contacted by anyone at your company in the past six to 12 months — if not longer. How strong can a relationship be if no one has spoken to the customer over the past year?

Unfortunately, customer relationships do not scale infinitely. Over the past 20 years, overseeing billions of dollars worth of B2B transactions, we have learned that salespeople can maintain excellent customer relationships with an average of about 40 accounts. It varies a bit from one industry to the next, but we will use this number for simplicity's sake.

At 40 accounts per salesperson, we can very reasonably expect our outside salespeople to proactively uncover new sales opportunities by contacting customers at least once every 90 days. They can maintain that number very reasonably while adding new accounts.

Imagine if your compensation plan incentivized your salespeople to contact each of those 40 customers every 90 days. How much would your company grow over the next year?

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Customer Advocacy

For decades, we have been teaching the TAG Customer Advocacy Program, which was formulated to solve this problem: "How do I keep outside salespeople focused on generating new opportunities while enabling the company to capture all the existing, 'low-hanging fruit' opportunities, without overpaying on commissions or disincentivizing effort?"

Here is a concise, abbreviated outline of the steps you can take now to enact this plan in your business:

■ Assign your salesperson 40 accounts.

■ Imagine he sells 20 new accounts, bringing his (or her) total to 60. At the end of the year, ask him: "Which 40 accounts (of the 60) do you want to keep for next year?" These are accounts he will retain passive income on and be responsible for managing.

■ Meanwhile, the remaining 20 accounts are transferred to the customer advocate team members who handle all cross-sells, upsells, ancillary products/services, etc., or other inbound sales opportunities.

■ The customer advocate's job is to farm the customer base for all of the "low-hanging fruit" at a lower commission rate with a base salary. This, in turn, allows the owner to pay a salary to the customer advocate, fixing the price of low-effort sales opportunities while ensuring the owner does not overpay on commissions. Think of the customer advocate as an order-taker as opposed to a salesperson.

■ One important caveat to this program: If the account purchases a new copier/MFP or equipment, the commission goes back to the original salesperson.

■ By doing this, you balance the financial incentives so outside salespeople receive a higher commission rate for more challenging, highly skilled sales work, whereas the customer advocate is paid a smaller commission for simple order-taking.

■ Another key aspect of this program's success is to make sure you take a gradual approach. Do not attempt to change everything overnight. It takes time to achieve this transition, which is especially important in case there are big personalities who may no longer fit into the high-performing sales environment you are creating at your company. It is important to allow the company culture to gradually adjust so the change is reasonable.

Leadership Culture

By implementing this program within your organization, your business stands to have each of your customers contacted once every 90 days, with an affordable customer advocate farming the base for passive opportunities and a team of highly skilled outside salespeople putting their talents to work to help accelerate the company's top-line growth.

One of the key responsibilities of the CEO is to speak the truth, set the vision and lead others through change. While this is not always comfortable, just imagine what possibilities it might unlock for your organization moving forward.

If you had a culture where everyone's behaviors were aligned with the financial performance of the company, how might that shift morale? Which new types of people might be attracted to join your organization in the future? And, most importantly, how might that company culture of success benefit everyone on the team? ■

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