

Clever staff incentives

encourage higher business values

In this issue, Daniel E. Lach, managing director of Beaufort International LLC, discusses how fine-tuning sales commissions can grow your business faster.

The issue of how to motivate employees is a topic that has been discussed at length in many places. However, in this issue I would like to focus instead on a derivative of this topic – namely, how to compensate sales staff to maximise business value.

In essence, sales staff must be given incentives to ensure they give their best efforts to growing the customer base. You must be careful here because many businesses make the fundamental error in encouraging employees to “babysit” established accounts and simply act as order takers.

Your objective is to motivate the sales representative to get out there and bring in orders that your company would otherwise not have attained without their efforts. You want them to forage for new territory, dog the competition and gradually wear down resistance from targeted accounts that don't purchase your products or services.

It takes a special degree of stamina to go up against new customers' resistance to switch suppliers. It is not an easy job and, given a choice, most people will not do it for very long unless they are gluttons for punishment.

Therefore, if you pay the same rate of commission for successfully winning orders from new customers as you do more established ones, many will not do it at all.

Given a choice, sales staff will spend more time grooming the existing customer base than fighting it out against the competition. The problem here is that you would have achieved a majority of those repeat orders anyway. Your objective must become setting the goal of your sales staff to gain new business from new customers.

But how? Teach your order desk to become expert customer relations staff. Their job is to carefully tend the customer flock and to solve problems before they become damaging to existing customer relationships. These staff should also be encouraged to get your customers to order or sample new products from your product line. By implementing incentives that

reward these people to grow the number of products purchased by existing customers, everybody winds up happier.

Sales staff, on the other hand, must quicken their pace at times when the potential for new business is strong. Windows of opportunity to win new customers usually come about in chaotic conditions – i.e. when an existing supplier has botched up or when changes are made to staff, pricing or products.

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So, the sales representative must be more like your top-notch fighter pilot than your average shepherd. Their ability to react rapidly to opportunities means they must not be overburdened with routine calls. They must have their ear to the market so as to react to opportunistic sales opportunities. Instead of paying them to visit old accounts, encourage them to frequently call on accounts that you wish to win over. With a little luck, sooner or later,

your competitor will trip up. That's when a good relationship with a potential client will encourage them to pick up the phone and give you a chance to win them over.

If you are not increasing your turnover at a rate of at least twice the inflation rate, you are probably falling behind in terms of the long-term viability of your business. If this is the case, reduce your profit margin by increasing commissions for bringing in business from new customers.

Attracting new customers takes shrewder and more aggressive sales tactics and you should be prepared to reward people who can accomplish this feat greater than the rest. If your existing staff are not up to the job, hire more aggressive go-getters from sectors related to yours.

Where do you find these people? Avoid targeting staff from the competition, because an attack against them will surely result in retaliatory action against your business in the form of more aggressive pricing. An aggrieved competitor will be happy to lose money on a contract just to send you a warning to leave his people alone.

If you are a security company, go after dedicated representatives in related industries, as retaliatory actions are more difficult if they can't steal your accounts. They can, of course, pinch your staff, so be sure you keep your personnel happy.

Personnel working in niche areas are also worth keeping your eye on, as frequently they can be a good source of sales expertise who more than likely also know your accounts and potential new customers.

New customers are the lifeblood to your business' value. They increase the long-term growth potential of your company and, resultantly, the earnings multiply that potential buyers are prepared to pay. Make sure your incentive programme reflects this important fact and you will be well rewarded when it comes time to sell your business. ■

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