

## **Why Do Salespeople Get Paid Extra To Make Sales?**

### **By Rick Hill**

The discussion started when one shop owner stated the simple question; “Why do sales people get paid extra to make sales? “ I give them a good salary and I expect them to give me a fair days work like everyone else.”

What a great question. In it’s simplicity, it sums up the whole problem with sales programs, incentives and pay. Why can’t we pay sales people the same way we pay the rest of the shop?

First, let’s define a salesperson. For this article we will define a salesperson as an employee working on the outside of the shop making calls on customers and prospects. This is not to say an inside salesperson is any less motivated or challenged, but because of their role inside the company, their activities and pay are easier to determine.

#### A Different Personality

I took the shop owners’ question to several people in and out of the sales arena. The initial comments varied from; “I don’t think they should get paid at all. All they do is talk to people.” To “I wouldn’t do that job for a million bucks.” After the initial reaction, the discussions all came up with one theme, it takes a different personality to sell.

Think about the jobs we have in a standard woodworking firm. Think how we stereotype the types of personalities in the company, from the detail-oriented engineers to the quiet bookkeepers. Though generalities on personalities are wrong, it does take someone who is focused on details to do an engineering job well. A bookkeeper has to concentrate fully on the numbers to make sure they balance. These engineers and bookkeepers are motivated by the success in the exactness and correctness of their work

Have you ever placed a classified for a sales person? What’s the most common compound word in every sales job listing? “Self-Motivated or Self-Starter”. The reason is obvious; the personality of sales people needs to be driven by their own goals and motivations. This is not to say they are better than the rest of the team, just that you won’t get the increase in business you want by hiring the person who is happy with a straight salary like the rest of the team.

Sales jobs focus on bringing the company more profits through more sales, or higher margins. The company rewards the sales person based on what amount of sales they are maintaining or achieving. If a salesperson brings unprofitable sales to your door, you are not going to reward them. The sales job focus is profit and the sales scorecard is money.

#### What Happens When Salespeople Get Paid Like The Rest Of The Shop?

You might remember an article I wrote in early 2007 about the “Free Lunchers”. The company that employed the Free Lunchers went out of business about 5 years ago, but

they still make an excellent example of what happens when motivated salespeople are paid on a straight salary without spiffs or bonuses. The owner expected the sales team to go out every day and ‘just sell’.

The Free Lunchers were a group of distributor sales people we tried to train in new products. We could never get them to work with us for a day; we could only get them to show up for product training if we offered them a free lunch, (hence, the Free Lunchers moniker).

The Free Lunchers didn’t start out being lazy sales people; they evolved into that role. They started out on the job with the best expectations, then as the days went along they found out that no matter what they did, good or bad, they got the same pay. Bring in an account that made \$10,000 a week? Same pay. Bring in an account that made \$1.00 a week? Same pay. It didn’t matter what they achieved or lost, the affect on their income was the same. So, eventually they learned that they did better not rocking the boat or achieving great things. No matter what they achieved, they were paid the same, so they achieved nothing. Eventually, the natural attrition of business forced the distributor to close his doors.

Think about your own shop, if cabinet assemblers and fabricators were paid the same whether the made cabinets or not, they wouldn’t make cabinets. Fortunately in woodworking shops there is a production flow that sets a pace for the work. There is often a supervisor who is setting up and monitoring the daily schedule. This managerial and peer pressure keeps the assemblers assembling.

In sales, we send the person out into the field with no flow to push them, and no hourly supervision on their tasks. We expect them to spend the time finding prospects, calling on customers, and closing sales. The job requires a different skill set than an in-house customer service person or the rest of the company people. Sales people must be skilled at speaking off-the-cuff in front of groups, setting their own schedule, taking personal and company criticisms, making cold calls on people that do not want to see them, working non-standard hours, traveling away from home for days at a time, and repeated rejection. Most important they must learn that the word “NO” does not mean NO; it means “Not Yet”. During this they must keep the positive attitude that drives them to achieve the goals we set for them. No wonder we advertise for self-motivated people. It takes a different personality to get a feeling of accomplishment from doing all this on your own.

The personality of a salesperson is one of achievement with people. Of believing in your product and carrying that message of faith to the prospects. I have seen many different types of people be great sales people, but no one succeeded long-term if they did not believe in the value they were bringing to the market. Making converts of their prospects motivates sales people and if they are compensated correctly, they are focused on profit, not just sales.

## How Should We Change Our Sales Team?

2008 was an awakening year for many of the woodworking firms we work with. Our sales consulting business at OnPoint has been peppered with companies looking to open new niches, expand into other markets and re-working sales compensation programs. Some have asked us to help them replace factory sales people with independent reps and others are doing the opposite. Everyone is scrambling to adapt to the changed market. There is one sentence that every one expresses, in every discussion. “We need to get our salespeople finding new niches and customers.”

2009 is here, and as the old adage goes, “We won’t get out of this mess using the same thinking that got us into it.” Salespeople are the key to new business in 2009. Are you compensating them based on new business or maintaining the old business? Can you afford another downturn in the market like 2008?

There are several ways to get your salespeople focused on new business and new niches. The usual method includes extra compensation on new sales, but this rarely achieves long-lasting results. A good sales incentive plan includes compensating the salespeople based on the true average profitability of your company. Take that number and tie it into the amount of profit you are willing to share with the sales team for new sales.

Several other questions need to be considered before establishing a sales incentive program. What is the maximum you are willing to pay the successful sales person if they bring home a lot of new business? Do you want to only reward new business? Is the playing field fair between new sales people and established sales people? What other activities (weekly call reports, team efforts, technical assistance) are you willing to reward?

Now is the time to start salespeople on the path to new business in new markets. It will take more time and different compensation programs, but that is what motivates them. Give them the room and income potential based on new market growth not just growth. And do it based on profit, because they gauge success on profit and money is the scorecard.

SIDEBAR: Want Ad;

Now Hiring:SalesPerson.

Wanted a self-motivated, profit oriented salesperson. The new hire will focus on bringing our company more dollars, but should not expect us to share them. Set your own schedule calling on people that don’t want to see you. Take constant rejection, be away from home nights, stay in cheap hotels, and eat bad food. No overtime. No expenses. No spiffs. No bonuses, no matter how many profitable sales you create. Lunches are free if you can get someone else to pay for them.