

# SALES REP'S ADVISOR

Legal, Financial & Business Strategies to Protect & Grow Your Agency

## Managing Staff

### Sales incentives can work for rep agencies too

Most reps will have participated in and perhaps benefited from manufacturers' incentive programs — sales-oriented performance improvement programs that offer rewards, sometimes in cash but more often in the form of merchandise or travel, to those who meet or exceed specified sales goals during a specific time period.

While some such programs can be lavish and expensive, and might look well beyond the budget of the typical sales agency, the truth is, with the growth in the use of gift cards, online programs, and off-the-shelf catalog programs, even a small agency can take advantage of the performance improvement benefits of incentive programs.

In addition, says Louise Anderson of Anderson Performance Improvement Company, who has helped set up channel incentive programs targeting reps and distributors for a number of large manufacturers, just going through the process of identifying successful sales behaviors and setting performance goals, regardless of the type or size of the program you offer, can be of benefit even to a smaller agency.

“Many companies fail to realize that they already have in place the nucleus of what it takes to increase productivity and profitability,” says Anderson. “There are key employees who stand out. In some cases, productivity is low and performance lacking simply because management has never given a reason nor offered an incentive for employees to perform at a higher level.”

#### Investigate best practices

The best incentive programs, and those that have the longest-term benefits, are those that reward successful behaviors — best practices — and not necessarily the ones that just aim to increase sales volume, Anderson says. It's like the difference between giving a man food and teaching him to fish: One feeds him for a day while the other feeds him for a lifetime.

For instance, a manufacturer might reward a rep, or a rep's sales associates, for gaining knowledge of its product through successful completion of a training program. Or it might reward reps for successful collaboration with distributor salespeople. Or a rep firm might reward its sales associates based on the number of products they are able to present in the course of a sales presentation. These are behaviors that contribute to sales success and will stick with them long after the incentive program is over.

To put together a successful incentive program, sales agencies must first identify what it is that makes their top performers successful in their agency and in their industry. Look for the common behaviors that lead to their sales success. Do they always have a plan when they go in to visit a customer? Have they sought training in all the product families that they represent on a sales call? Do they learn all they can about customers so they can let customers know that they're interested in their business and how they make money? Do they look for ways to help make the customer more money?

#### **Gain performance improvements by:**

- Identifying best practices
- Rewarding for improvements
- Recognizing as many winners as possible.

[www.RepsAdvisor.com](http://www.RepsAdvisor.com)

Reprinted from *Sales Rep's Advisor*

© 2005 Alexander Communications Group, Inc. All rights reserved.

DO NOT EDIT OR ALTER REPRINTS • REPRODUCTIONS NOT PERMITTED

According to Anderson, there are two common behavioral characteristics or skills that most successful salespeople and sales organizations share. “The first is knowledge — they seek it and they use it,” she says. “For a rep, that means they take knowledge from the manufacturer through training, research, and other available sources and they put it into a format that has value to their customers. And second, they are solution-based salespeople. They don’t go into a customer with the goal of selling something, they go in to listen to the customer, to identify the customer’s issues and problems, and to offer products and services that might help resolve those problems.”

Anderson also advises reps to ask the manufacturers they represent to share best practices of other sales agencies. If they’ve got an agency that’s doing gangbusters in another territory, ask the manufacturer to investigate and find out what that agency is doing differently.

You might even think about rewarding your own sales associates for sharing their best practices, Anderson says. “If somebody does something a little differently — maybe they have a presentation, or a matrix, or another tool that works for them, why not reward them for sharing it? And why not reward them again when the rest of your team improves its performance using that tool?”

### **Structuring an incentive for your agency**

Rewards are an important part of any effort to change behavior, Anderson says. “Basic psychology teaches us that change is perceived as hard, and if you want someone to change their behavior, you have to offer a potential positive consequence in return,” she says.

It doesn’t have to be a lavish reward. “One of the biggest mistakes that companies make,” she says, “is thinking that you have to offer a major award — like travel — to affect behavior significantly. But spending that kind of money means that you can only have a few winners.”

Sales contests — those in which salespeople compete against each other for rewards like a trip or expensive merchandise — can work for some companies. But in most cases, says Anderson, it will be your usual top performers that win those contests. Those top performers believe they will win, and the rest of your sales team believes that

they won’t. There isn’t much motivation involved in that.

A more useful option is to reward everyone for successful behaviors and improvements in performance. For sales agencies, as for any smaller company, Anderson recommends using a points system or some sort of token economy by which points are awarded for successful behaviors or performance improvements. Those points can be accumulated over time for larger rewards that can be redeemed through a catalog or an online program. An online or catalog program also means that your sales associates can set their own reward goals and go after the reward that is most important to them.

A tiered structure can be used to provide more points to better performers. For instance, x number of points for performance improvements in the 5–10 percent range, 2x for performance improvements in the 10–20 percent range, and 3x for

***Sales agencies must first identify what it is that makes their top performers successful in their agency and in their industry.***

### **More money isn’t always the answer**

Simply adding more money to the sales equation isn’t always going to affect performance — at least not in the way that companies would like, according to Louise Anderson, whose firm has developed performance improvement programs for a number of top manufacturers. She describes the experience of a company that manufactures road graders. After investing in new manufacturing technology, the company found that it could manufacture its product for about \$2,100 less than previously. It took that \$2,100 and applied it straight to the commission that it was paying its salespeople on sales of the road grader. The company thought that would be a great way to boost sales.

The exact opposite happened, however. Unit sales decreased. When Anderson’s firm was called in to determine why, she interviewed the company’s top salesperson — who was perfectly satisfied with his performance, even though he had sold fewer units. He said: “I made more money than last year and didn’t miss any of my kid’s soccer games.” Obviously, this salesperson was motivated by what was most important to him. The additional money gave him the opportunity to take time off without penalty.

improvements greater than 20 percent. “More of your salespeople will be winners, they will feel like winners, and they’ll do a better job in front of the customer,” Anderson says.

Anderson also recommends that agencies administer the incentive program themselves, setting up a database and tracking points and redemptions, because this will keep down the costs.

### **Don’t forget communication, coaching, and the presentation**

Rewards will boost performance for the short term, says Anderson. Rewards in conjunction with communication, coaching, and reinforcement of those behaviors will help make those performance improvements permanent. “In almost any type of sales cycle, no matter how complex, in 90 to 180 days, if you are coaching, inspecting, and rewarding for the right behaviors, you’re going to find that for 60 percent of your people those behaviors

will stick,” she adds. “But you’ve got to have that coaching and reinforcement either from the manufacturer, a sales manager, or from rep agency management.”

Communication is also an important part of a successful incentive program, particularly in terms of communicating success stories and best practices, but also in terms of communicating information about the potential rewards, to keep that top of mind.

Finally, Anderson says, recognition is also an important part of a successful incentive program. It’s important to recognize the winners, to create a formal presentation of points, gift cards, certificates, or other rewards in front of their peers, and in front of their families if that’s possible. “Take the whole family, the kids included, out to dinner,” Anderson says. “Recognition costs so little but it is so powerful.”

*Contact: Louise Anderson, Anderson Performance Improvement Company, (651) 438-9825, [www.andersonperformance.com](http://www.andersonperformance.com).* ■

***The more winners you have, the more your agency’s overall performance will improve.***

## **Eight steps to creating and implementing an incentive program**

Here are Louise Anderson’s tips for getting the most out of your agency’s performance improvement program.

1. Identify existing top performers and what they are doing right.
2. Ask top performers four questions: How’s it going? What is it that’s contributing to your success? What are your obstacles? If you could change anything today, what would it be?
3. Highlight the best practices that you’ve uncovered in your research and actively market them to your salespeople.
4. Validate employee understanding of strategic goals and the behavior it will take to achieve them by rewarding for demonstrated knowledge.
5. Engage in management coaching and reinforcement of the program by reviewing the program data regularly (i.e., which salespeople are participating, how fast people are hitting their targets, and what improvements have been made).
6. Make adjustments early on in the program based on program data to fully maximize participation and end results.
7. Issue the right type of award to sales associates who show improvement.
8. Publicize the salespeople who made the greatest improvement during the program and highlight any new best practices discovered.

### **Sales Rep’s Advisor**

28 West 25th Street — 8th Floor, New York, NY 10010-2705

Telephone: (212) 228-0246 • Fax: (212) 228-0376 • Email: [info@RepsAdvisor.com](mailto:info@RepsAdvisor.com) • Website: [www.RepsAdvisor.com](http://www.RepsAdvisor.com)

*Sales Rep’s Advisor* is published monthly by Alexander Communications Group, Inc.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

— From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers.



**Alexander Communications Group**

© 2005 Alexander Communications Group, Inc. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise, without the prior written permission of Alexander Communications Group.