

If you're still assigning an aggressive rep to a territory, paying a flat uncapped commission and waiting for the orders to come rolling in, regardless of the needs of the customer base, you're probably not doing what's best for your company or your sales force.

THE CARE AND FEEDING OF YOUR SALES FORCE

by Mitchell Roye



Hunters and farmers. Sharks and dolphins. Eagles and doves. We all know these expressions refer to field sales people. And, we all know that hunters excel at quickly building a business or winning new accounts, while farmers are great at managing the details of existing customer relationships.

What many of us struggle with, however, is knowing when to use different types of sales jobs and how to effectively motivate and reward each of them with sales compensation. The classic mistake is to address this dilemma by simply redesigning their sales compensation programs. The correct approach is to first examine the types of customers you are selling to and how they want to interact with your organization.

FOCUS ON THE CUSTOMER

What drives sales job and incentive compensation design? Customer Focus — being aware of and focused on what your customers need and how they want to interact with your organization — understanding how

and why they buy from you and your competitors — seeing the sales process from their perspective — knowing their issues and their challenges.

Focusing on your customers needs will provide your organization with many positive benefits and will actually help you to design your sales jobs and incentive compensation plans. The following is an actual example of how one successful company that we'll call Better Distribution (BD) came to view its customer base.

First they classified customers by how much they ordered, the type and frequency of services they required, the scope of their operations and how they actually purchased. Other criteria included such things as strategic value, buying process, central versus local buying sites and customer growth potential.

Because the sales process, customer needs and customer expectations varied for each of its different customer segments, BD decided to provide different levels of service—including sales coverage and support—to its customers based on the strategic and economic value of the relationship.

For example, many of BD's smallest accounts purchased one or two items on an infrequent and unplanned basis, but at a high margin. The sales process was straightforward and informal in that the customer's buyer frequently turned out to be its owner. In short, this account, and others like it, had limited expectations, needs and requirements.

BD then compared this selling process to that of its larger and more sophisticated customers that it termed Key Accounts. It found that its key accounts purchased in large volumes on a regular basis and at a lower margin. All of the sales were based on annual contracts that stipulated such things as pricing, volume and service levels. Additionally, these accounts required BD to help manage inventory levels and order flow and participate in task force meetings charged with finding ways to reduce product cost and improve productivity. Obviously, this was a much more involved and complex process than simply selling a few drill bits to the local shop down the street.

BD ultimately realized that a broad-focused sales job that called on all types of accounts would be spread too thin and would be ill-equipped in trying to serve the different customer needs and selling processes.

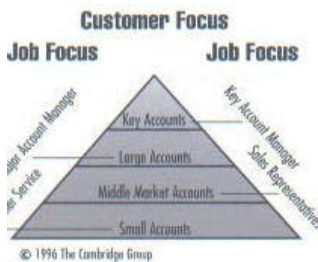
The take-away for us is that our customers needs and buying processes drive the focus and the type of sales jobs that we design to cover them. Therefore, as your markets and customers change, your need for different types of sales jobs will likewise change.

FOCUSING YOUR SALES JOBS

Realizing that not all customers are created or act alike, many successful

organizations have come to not only customize their selling strategy, but have also reorganized their internal sales and marketing operations around their customer base. Presented in the pyramid chart is how BD chose to cover its various customers. For example, it created a key account manager sales job to cover its most strategically and economically important accounts and designed other sales jobs that focused on serving the specific needs and buying processes of its other customer types.

The Job Focus table presents these different sales roles and the various job activities. The difference in job roles results in different types of field sales behaviors. And, different field sales behaviors should be encouraged and rewarded with different types of pay and reward systems.



COMPENSATING DIFFERENT SALES JOBS

If customer focus drives sales job focus, then sales job focus must drive the compensation solution. Unfortunately, many companies stick with a compensation solution that may have served them well in the past but may no longer serve them well in today's environment.

Consider the case of Our Way, Inc. (OWI) who lost a major account and was on the verge of losing several others. The problem, it seems, was that OWI was trying to establish integrated supplier arrangements while

JOB FOCUS			
KEY ACCOUNT MANAGER	MAJOR ACCOUNT MANAGER	SALES REPRESENTATIVE	CUSTOMER SERVICE
<ul style="list-style-type: none"> • Manage Key "Assets" • Integrated Supply • Relationship Focus • Consultative Selling • Business Partnering • Contract Selling • Service - Driven • Sell to Senior Influencers and Buyers 	<ul style="list-style-type: none"> • Industry or Market Named Account Focus • Integrated Supply • Business Partnering • Relationship Focused • Consultative Selling • High Degree of Service • Sell to All Key Influencers 	<ul style="list-style-type: none"> • Volume Driven • Serviced - Focused • Relationship Oriented • Aggressive Seller • Named Account or Geography Deployed 	<ul style="list-style-type: none"> • Service - Driven • Order - Taker • Add - On Selling • Sales Support Role • Problem Resolution
JOB COMPLEXITY ← HIGH LOW →			
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continuing to pay its sales people a commission for moving large amounts of product into these major accounts.

A long-term and loyal customer finally confronted OWI about this contradiction and asked how they could ever hope to achieve a true integrated supply and partnering relationship when the sales person covering the account was singularly concerned with selling more product to the customer. This was a clear case of a compensation plan that was out of sync with the customers needs and the required sales focus.

Another company planned to introduce a new product that it believed would win over many customers from its competitors. In order to quickly win a sizable market share, they needed experienced sales people who were ready and eager to make their presence known. The compensation plan needed to encourage and reward its hunters (business developer sales people) for being highly aggressive and successful.

The solution was a highly-leveraged (low base salary, high upside incentive opportunity) uncapped commission plan that encouraged these sales people to build the business and quickly win market share. And gain market share they did. The sales organization exceeded its first year new product revenue projections by nearly 17%!

The take-away point to recognize is that as your organization grows and begins to serve multiple types of customer and markets, you may find the need to use a variety of incentive compensation plans, each tailored to the specific role of the underlying sales job.

READY, AIM, FIRE

Using the right sales jobs and compensating them appropriately is a major strategic decision that should take into account your sales and marketing strategy, customer profiles and how your customers prefer to work with your organization.

So, back to hunters and farmers, sharks and dolphins, and eagles and doves. Which is the right job to use and how should you compensate it? While the ultimate decision is up to you, listening to and focusing in on your customers needs will provide you with the right starting point. ☞

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Fall Convention Spotlight

To learn in detail the many ways that you can structure your compensation plans, attend the workshop, **Using Sales Compensation to Redirect the Sales Forces Efforts**, on **Saturday, Nov. 23, from 2:00 pm - 4:00 pm** and **Sunday, Nov. 24, from 9:15 am - 11:15 am.**