



TOPIC: MARKETING AND SALES

## COMPENSATING YOUR SALES TEAM: A PERFORMANCE-FOCUSED APPROACH

🕒 5 min read

Building strong, trusted working relationships in the three-tier system enables collaborations that can improve revenue and profitability on all sides of the ledger. It's not easy, but when it works it's inspiring.

Tracy Neal, founder of the company *ISellBeer* ([www.isellbeer.com](http://www.isellbeer.com)), knows the intricacies of supplier and distributor relationships firsthand, “Monthly incentives don’t always move the needle in a sustainable way. Moving to a variable compensation system that rewards execution through added monthly distribution, display and POS goals, was a game-changer for us both – supplier and distributor. Individual brands, including secondary brands and packages started getting the attention that was needed to reach our shared goals.”

With the ever-changing dynamics of retail space for both on and off premise targets, setting sales and distribution goals can be daunting. Managing expectations from suppliers, distributors or retailers is a fast-moving daily requirement for mid-level and senior management teams. Making the most of monthly, quarterly or annual goals with field sales associates requires establishing realistic goals by premise, package, draught and display or POS execution that mirrors what expectations have been discussed.

Most importantly, motivating a sales organization to attain these goals is the real driver for effectively accomplishing these important sales tasks.

Does your brewery have a compensation program in place that motivates your sales professionals effectively?

One such program is a BASE salary approach, with added financial gain through bonuses that were historically based on a revenue or a sales target but did not include street-level retail performance programs like distribution, display, or retail chain execution. Most sales managers agree that this is a dated approach and is no longer motivating due to the distributor's vast portfolios and the complexities of managing so many SKUs, supplier business plans and valued relationships. Sales managers need flexibility to press on the most urgent needs by supplier, trade channel or pre-existing business plans that support supplier driven programming. BASE salary programs are not creative enough to hold sales street representatives' attention to execute the true need and urgency of a plan.

An alternative salary compensation program is called PFP, (Pay for Performance). PFP allows management teams to set retail execution goals that are timely and relevant in gaining acceptance and legitimacy with a sales force. Some companies will have a combination of a base range of 85% – 95% and then 15% to 5% PFP ranges that comprises 100% monthly compensation; to retain the PFP % of their pay, a sales rep needs to hit their established goals. The payout could be on a graduate basis related to the goals achieved, and the real fun begins when the combined sales team efforts add up to amazing results for the company.

As an example, consider an individual sales representative who works up and down the streets in retail (*which can then be tailored to your sales route strategy/particulars*). PFP goals focus on the positive behaviors and executional activities that drive revenue growth in a sales organization, such as:

- (15) package placements
- (5) draught placements
- (100%) display attainment with chain account
- (3) on premise promotions
- (2) general market shelf resets

In another scenario, PFP goals could be set for a supplier sales associate who has a territory encompassing several states or distributors to manage. Driving down market execution on initiatives of needed improvement can be recognized rather quickly when all efforts are centered on the target – markets can be tailored for specific individual goals or programs that address required change immediately. PFP goals may be:

- (4) distributor year to date business reviews with senior / brand management
- (3) meetings with distributor sales teams to present marketing plans and sales trends
- (25) retail store visits: document and send to distributor
- (4) on premise promotions with local sales team
- (2) national accounts ad features / new distribution gains

A focus on creativity is key for these types of programs; creativity recognizes high performers in their abilities to sell dynamic brands, new packaging technology, and visible presence to retailers – which ultimately puts the products into the hands of the consumer.

It's endless on the variations a monthly PFP could look like due to the many sales and distribution programs offered by suppliers and distributors. Either in monthly, quarterly or annualized business meetings, goals are finalized between sales management teams on both sides of this relationship in an effort to build a quality sales plan for the year. In most cases, these monthly programs or incentives can also be a shared expense – or at minimum discussed well in advance for senior management approval on both sides of the ledger.

One of the reasons companies may stick to a BASE sales salary singularly is due to simplicity and administration constraints. Tracking PFP results can be a hurdle. Fortunately, there are programs available that can assist with this issue.

Tracy Neal started his company to assist distributors and suppliers in simplifying a variable compensation model that enables tracking monthly sales programs, incentives, display execution and provides testimonials and endorsements from valued resources. He goes on to say, *“ISellBeer was built from the street b ckw rds. We sked sales reps how we could comply with the need for execution tracking while making their sales day less administrative burden. A sales rep is a revenue generating employee and their time is sacred. We built the iSellBeer platform with this as our compass.”*

What effect does a strong PFP program really have? From firsthand experience, Tracy believes that it “tracks objectives that consist of binary achievement bundles, rather than the straight-line incremental rewards of a pure incentive. The relative risk/reward ratios that are part of your sales team compensation will be exactly commensurate with the relative selling skills of the employee who choose to “thrive” on the sales team. Too little risk/reward (aka base salary) attract “safety” sales reps who generally don't aspire to stand out and push their limits in reaching goals or “stretch goals” every month.”

In a nutshell, a variable compensation pay scale can help sales management assess their sales teams in a whole new way, increasing capabilities and teaching models that would improve overall execution.

Designing creative sales programs that elevate your company's execution in the trade will create more value. Done successfully, a program will create clear solutions and bring excitement, energy and accountability to your sales team – and subsequently more sales!

By Greg Merideth