

The Corner Office: Incentives That Really Motivate

By David J. Cichelli

Now is the time to rethink your variable rewards framework for your customer contact personnel. Pick from the following list of reward programs:

Cash Compensation. Use straight commission plans for income producers, like real estate agents, traders and single-policy insurance sales. Use at-risk target incentive plans for sales representatives. Split the target total pay between base and incentive. Put more pay at risk for high-persuasion sellers (provide three times the at-risk component for outstanding performers) and cap total possible incentive payments.



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For channel managers, provide target bonus plans, i.e., base plus a target bonus percent. Such plans feature a moderate at-risk component, with two times the at-risk component for upside opportunity (an amount also capped). For telephone sales personnel and retail sellers, provide an hourly base rate, with commission on unit or revenue sales. When calculating overtime pay, don't forget to adjust the hourly wage basis to include commission payments. Keep the plans uncapped, which will motivate these folks to sell.

For field support personnel, provide an add-on plan with a fully competitive base salary, and a target add-on of 5 percent of base pay once goal is achieved. Cap it at 10 percent of base pay for outstanding performance.

For customer-care personnel, scorecards are an excellent way to guide compensation. Establish customer-care standards, and measure variance from norms. Reward expected performance with 5 percent of base pay, and provide up to 15 percent of base pay for best performers (capped).

Use key sales objectives (KSOs) to fine-tune rewards for key and strategic account sellers.

Provide to these people the opportunity to earn two times the target incentive for achieving outstanding results. Keep the measures specific, meaningful and sales-results related.

Base Pay Performance Management. Don't ignore the base pay component. Provide pay increases that reflect both performance and position in salary range. Target base pay increases at the market rate, and provide 4 percent to 8 percent annual merit increases for those with base salaries below the midpoint, yet who are performing at or above expectations. And for those with base pay levels above the midpoint of the salary range, give increases of 2 percent to 6 percent, depending on performance ratings.

Sales Contests. Budget 3 percent to 5 percent of the annual total target cash compensation for sales and incentive contests. Work with product and field management to create a contest calendar. For each contest, ensure that at least 30 percent of the participants earn something. Avoid annual repetitive programs (sellers might anticipate and manipulate sales), winner-take-all payouts (often viewed as unfair) and random drawings (these are employees, not visitors to a casino).

Recognition Programs. Induction into the annual president's club should be a big, splashy event. Take 30 percent of the sales force on a trip to a grand destination resort. Have lots of winners, rewarding in such categories as largest volume, biggest percent increase, rookie-of-the-year, comeback kid, best customer service save and

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innovative sales solution.

Have three to five job levels to recognize salesperson progression. Provide a cumulative award for tenured sellers who hit lifetime levels. Have seller-of-the-month announcements and dinner gift vouchers. Post a relative ranking each performance period. Issue congratulatory press releases to hometown papers. And select best performers to be members of the field advisory council.