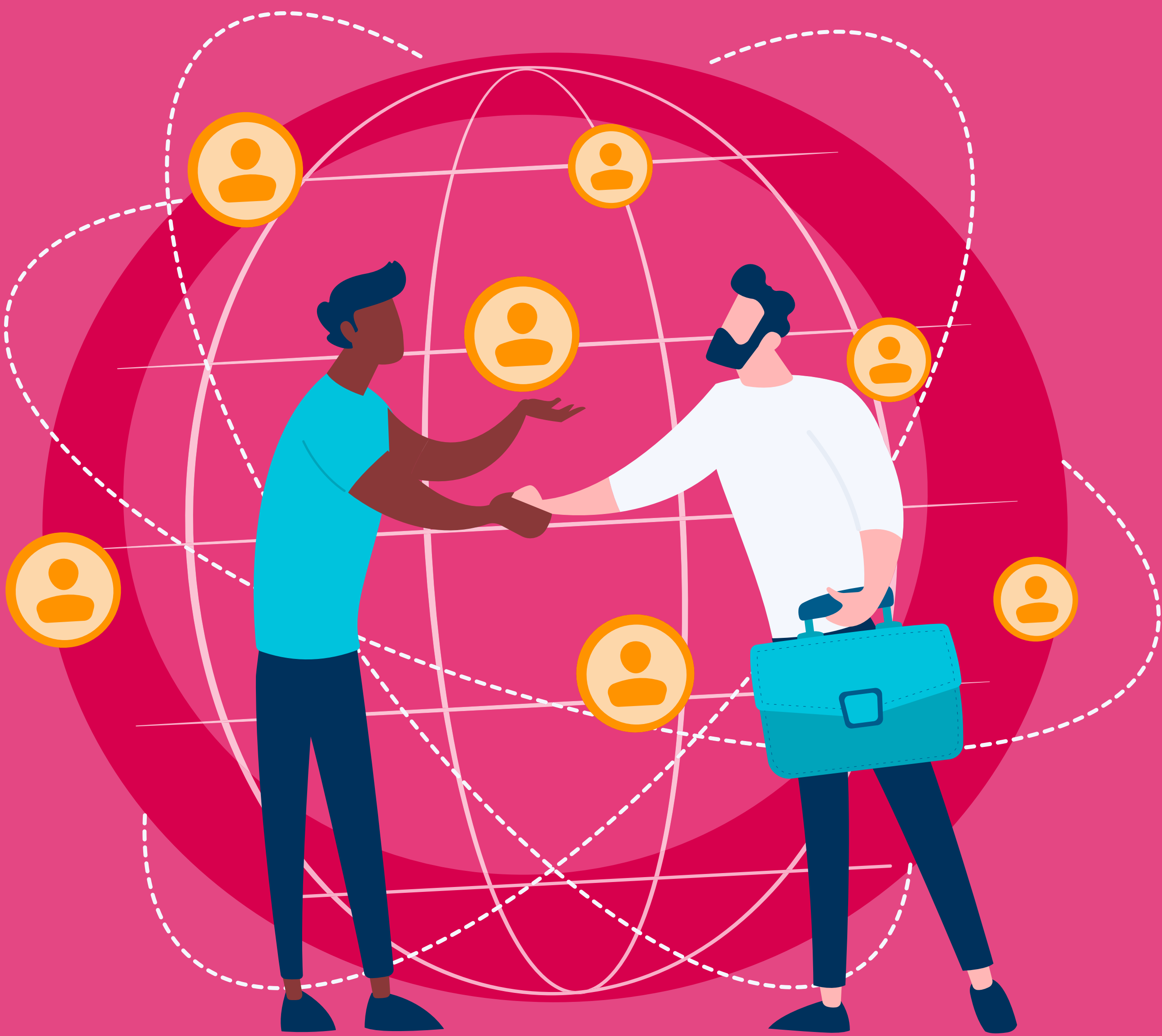
THE NEW COMPENSATION GUIDE FOR

TODAY'S MODERN DISTRIBUTOR



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In this eBook on sales compensation, we're sharing the trends that are changing the way the promotional products industry compensates their salespeople and their selling teams. In a series of interviews with leading distributors, we're unpacking unique ideas that are bucking conventional methods and rebuilding a unique comp model that inspires growth.

Creative Compensation Ideas for the Modern Promotional Products Distributor

Doug Chung in Harvard Business Review wrote a simple 5-step process to design a compensation plan:

- Set the pay level
- Balance salary and incentives
- Design the plan
- Choose payout periods
- Consider additional elements

SIMPLE RIGHT? ER, NO.

But what Doug has done is clarified the five essentials you need for any plan. And as anyone who has developed a comp plan knows, it's tricky, because there are so many variables and methods for compensation.

At one time, sales comp was fairly easy, and most sales leaders got away with a rather simplistic compensation plan for sales, but times have changed: complex client projects with longer sales cycles plus team selling environments have changed everything about comp.

In this ebook, we're sharing a few creative ideas from friends we've chatted with who have changed or revised their comp structures recently. Out of respect for their unique comp initiatives, we're not naming names, but we are sharing the fascinating ways they've modified comp as a way to motivate and encourage sales.
And just in case you're new to comp for teams, we've provided a mini-glossary at the end of this article to help with some of the terms.

Though there is no one-size-fits-all that works for every business and every rep, here are five creative ways some modern distributors are compensating their promotional products sales teams. We hope you can borrow a few ideas to create your own unique comp structure!

1. BASE SALARY + % OF GROSS PROFIT

In case you are still stuck in a commission-only comp plan, the industry is trending to base salary + a percentage of sales or gross profit.

According to *Deloitte's research*, you should consider more weight on a base salary when:

- selling is more of a team effort
- the product itself requires little selling effort
- the sales job includes many non-sales duties (like research)
- when there's a longer sales cycle
- and if there's an emphasis on relationship management.

Most of these boxes are checked for the promotional products industry.

One distributor pays anywhere from $40,000-$50,000 as a base salary, plus, a target goal that would help the salesperson look forward to achieving $100k+ (salary+commission) as a percentage of the gross profit. The structure is meant to help a rep keep their eye on an overall compensation goal while climbing in earnings based on gross profit. Ultimately, a rep can earn $200k or more, depending on their level of sales and gross profit, but the key is: they start with a solid base and move upwards.

2. MIGRATING FROM SHORT-TERM BASE TO PERMANENT BASE + BONUS

And the salary trend continues: another distributor radically overhauled their comp plans moving from a base salary of 3 months (only), and after three months, they would then migrate to a 50/50 straight commission split (50% of the gross profit went to “the house” and 50% went to the rep). This model was also a paid-on-paid plan (reps weren’t paid until the client paid, which can sometimes make for a long reward system). But the distributor didn’t like that plan and felt like the house “always won,” and it put the rep in a place to lose more, but moreover, the uncertainty of a straight-commission plan created a weak culture, and compensation “is a reflection of culture and values.”

So they decided to change to a salary+step bonus every month, where, as you hit certain levels of sales, you would gradually increase your pay, first $500 or $1000 a month or maybe $2500 per month, but enough of a bump to keep the momentum high, all based on increased sales or increased earnings.

This same distributor said that “there’s a disparity in most companies, salespeople are getting paid at one level and support at a different level, so we threw out that model.” They now have a comp structure that includes quarterly bonuses for everyone, regardless of position, whether you are in the warehouse, finance, sales support, or sales. The quarterly bonus is generally a small percentage of the total sales (example: 2% spread out among the team). In addition, they started paying full healthcare (100%) for all employees and their families, and adopted an unlimited vacation policy.

“What this model did for us is nothing short of unbelievable. It got the whole team, the whole company, vested and selling. Now, everyone can track the company’s progress and calculate their own compensation growth.”

3. THINK OUTSIDE THE COMMISSION BOX

A third distributor leans heavily into thinking outside the box when it comes to comp. He put it this way, “don’t just think about what a salesperson wants solely in terms of commissions or earnings, think about what they need.”

Example: One rep might be looking to increase their income but what they really need is more support to increase their sales (so that they can … increase their income). Creating the right support structure can help someone leap from $750,000 in sales to $1.5 million in sales. Often, when reps come to us to talk about sales comp, we have to pause a minute, assess progress against future goals, and not just settle for a marginal increase but think through what someone might need to make a significant shift in their sales to leap frog incremental increases.

Other alternatives to consider: Maybe a rep is tired and fatigued and has worked non-stop and simply needs a break from the grind. Maybe a trip is worth considering, incentivizing sales growth with travel so that they get both an added perk and a break from the bustle. One distributor gets creative with his team with options like gym memberships, gas allowances, golf memberships, etc. Often, particularly in a fast-growth environment, what a rep wants is more money, but what a rep might need is relief, inspiration, and replenishment!

One key: engage with your finance team to discover different ways you can reward that won't break any tax rules. The benefit of working with finance is that they might help you uncover spending you're already doing or new ways you can motivate your sales team through contests or alternative ideas.

Key: Never assume that compensation is solely about money.

This business is a hard business with fierce deadlines and lots of complexity, the stress and pressure it creates might need a wider conversation on how we can help reward and reenergize the whole person.

4. TALK ABOUT THE TRADE-OFFS

Another distributor suggested this: options. When revising compensation for either sales leaders, team leads, or managers, consider talking about tradeoffs. Ask, "do you want a comp plan based on sales growth and margins or overall team/company profitability? Or a combination of both?"

Communicating the trade-offs creates a negotiation that is done together as opposed to two different views sitting on opposite sides of the (virtual) desk. Coming together over shared goals: margin, increases, profit, can help build a strong foundation that is co-created with your team versus having it created for them. Just one example: Agree to an adjusted base pay that is lower to earn a bigger payout at year-end based on overall company or team profitability.

Also, reward with compensation where you want to see growth. Align pay with their goals and the work they want to do. “Money is a mechanism,” said one distributor. For example: in the promotional products industry, when it comes to new sales growth, there are only two ways to grow, through either new logo acquisition (landing new clients), or expansion sales (expanding current client revenue). If your business is not sufficiently diversified and you have too much business with one client or perhaps even in one industry vertical, then shifting your comp plan to reward new logo business would be a smart way to reengineer your efforts toward a holistic goal.

Key: Remember that comp plans are no longer minted once and forever held eternal, comp plans should change as your business changes and should be adjusted based on your goals!

Another distributor holds a salary+ model that easily rewards growth but also provides a sustainable salary as a base. They use a model that allows for a base salary plus 10% of the margin for the first $500,000 in revenue and from $500,000 to $750,000, 20% of the margin, and for sales above $750,000, 40% of the margin. Building an incremental plan with a much bigger commission load on the top end of sales is how to keep an already busy salesperson incredibly motivated. Some argue that the worst thing you can do to a sales rep is cap their earning potential. As a successful coach, you should always look to building up reps just like a coach looks to building an athlete: structure a plan that helps reps meet their goals but also — exceeds their potential, helping them become the star performer you know they can be.

5. SHAKE IT UP & PERSONALIZE

One of the most unique compensation plans comes from a distributor who stated that "no two salesperson's bonus structures are exactly the same." They tailored their comp plan based on individualized pay plans to motivate and incent goals specific to each rep's unique book of business. Salaries are similar across the board, but commissions and bonuses can fall differently depending on their role, their goals, and their clientele.

A Harvard study, "*A Practical Approach to Sales Compensation*" examined the effectiveness of different incentive plans for different types of salespeople (high, mid, and low performers) and found that, although salary + commission equally affects all salespeople, the quota-bonus and the overachievement reward (escalated commission) appeal to different types of reps. An "overachievement reward serves to keep the high performers motivated, even after they have achieved quota. The quarterly bonus is most effective with low performers, as frequent goals keep these salespeople on track. The annual bonus more effectively incentivizes the high performers. Hence, the study reveals that high performers can perform well under long-term, lumpsum goals, whereas low performers require short-term, granular incentives to be effectively motivated."

For one distributor, an annual salary is guaranteed, but one example of a unique bonus plan is that a quarterly bonus falls into three categories, with 45% of the bonus coming from revenue goals, 45% coming from margin goals, and the remaining 10% is somewhat subjective, based on performance and team ethics (playing well with others). What's more is that 50% of this bonus is paid monthly, and at end of the year, the rep receives the remaining 50%. And the cherry on top? If you exceed your margin by x%, you could receive another 2%-3% in bonus.

"What you have to embrace is that having different plans for different groups of people is okay," he stated. Pay equity is still maintained through comparable jobs, roles, types of sales activities, and more.

"The business has changed, there is now more support going towards clients." One distributor might have a director of sales, an account rep, a project manager, and a CSR on one or two clients, and to successfully motivate everyone requires a bonus structure that rewards team effort based on individualized client goals.

WRESTLING WITH COMP IS TOUGH BUT MORE THAN THAT: PROFITABLE

The attrition rate for salespeople is high in any industry, 3x as high as any other profession, with some estimating an average tenure of 1.5 years. Xactly revealed that almost half of B2B sales organizations have turnover rates above 30%, and it takes an average of 6 months to fill an open sales position. But for the complex promo industry, a business with a long learning curve and high-pressure stakes, sales attrition is a leader's top concern.

The bottom line on comp: Wrangling options is worth it. In a previous article, we pointed out that according to McKinsey, "adjusting the mix of commissions, quotas, salaries, and bonuses for the salesforce ... has been found to have a 50% higher impact on sales than changes in advertising investments."

Though it might seem daunting to play with comp options, remember, changing your sales comp model can have a 50% higher impact on your sales than changing your marketing strategy!

2.

7 Trends That Are Changing Sales Compensation Models in the Promotional Products Industry

Sales compensation is, shockingly, not just about numbers.

It's about three often-used but vital words: values, culture, and engagement. And as repetitive as those words are, there's no better way to sum up the net effect of a business that excels on behalf of its two most important constituents: clients and employees.

Aligning compensation with values, culture, and engagement leads to growth. Companies with great employee experience outperform the S&P 500 by 122%.

The opposite experience? Turnover.

The annual turnover rate among US salespeople is twice the rate of the overall labor force, and the yearly tenure of a sales rep recently dropped from 2.5 years to 1.5 years. A compensation structure directly reflects values, culture, engagement, and highly impacts retention. And this might surprise you (it did me):

SIMPLY TWEAKING YOUR COMPENSATION MODEL CAN LEAD TO GROWTH.

According to a *study by McKinsey*, “adjusting the mix of commissions, quotas, salaries, and bonuses for the salesforce ... has been found to have a 50% higher impact on sales than changes in advertising investments.”

Repeating that stat for the back row: **Changing your sales comp model can have a 50% higher impact on your sales than changing your marketing strategy!**

In addition to driving sales growth, changing your comp model means adjusting to modern times.

As you read this series, we’re going to assume a few things: first, this ain’t your first [compensation] rodeo. You’ve tried a few things, some worked; some didn’t. But you’re open to considering new ideas. And there’s a second audience reading this who might not have changed anything about their comp plans in the past several years, and they know it’s a problem. The world has changed, but your comp plans have stayed the same. This series is for you too. Before we get into some ideas on how people are now compensating their salesforce, we must understand why it's important that your sales comp plans change.

HERE ARE 7 TRENDS RESHAPING COMP MODELS IN THE PROMO PRODUCTS INDUSTRY.

1. THE STRAIGHT COMMISSION STRUCTURE NO LONGER WORKS

That model was built for another era, a Willy Loman, Fuller Brush era. And if you even know those two names, you've likely experienced a straight commission plan. (For our full breakdown on why the 50/50 split no longer works, click here). But it's not just our opinion. According to ASI's Distributor Sales Compensation Survey, straight-commission plans as a valid comp structure keep dwindling, and though it was once the dominant compensation method in the industry, it "now only accounts for slightly more than a third of all industry sales rep pay." Yes, it's still effective for some, but it's largely a plan that's exiting stage left as another generation enters stage right ....

2. GEN Z

You might not know it, but you're building your business for this generation. Gen Z is 30% of the population, and in a few years, they constitute 27% of the workforce which means they will increasingly take over a larger percentage of your sales roles (and buyer roles) with each passing year. What do they demand? Flexibility. Values (80% of Gen Zers seek employer alignment with their values). Growth opportunities, learning, and engagement (76% of millennials want more opportunities to learn and practice new skills). And down the list? Compensation. It's not that they expect little comp (they demand a lot actually), it's just how they prioritize and evaluate their employees. Suffice it to say, your future sales force is now or will largely be millennials and Gen Zers who require an investment in them up front to earn their loyalty (ie, salary+, which we'll cover later).

3. OUR INDUSTRY'S HIGH LEARNING CURVE KEEPS GETTING HIGHER

More products enter the market each year, more processes for imprinting and packaging pop up every week, more supply chain challenges, more focus on sustainability expertise, more demand to create a return on experience for clients, and more requirements to be a solution seller in a fast-paced environment. While the tenure of salespeople keeps dropping, the learning curve in promo keeps growing. If the average sales rep churns in 1.5 years, they've really just begun to learn the industry. Worst of all: the cost of replacing an employee is, on average, 16-20% of their annual salary, and for promo, probably much higher due to the learning curve.

4. TEAM SELLING IS NOW THE NORM

It's no longer your lone wolf salesperson who finds the client, lands the client, and grows the client. Now, everyone on the team grows a client to its full potential. Why? Because clients now interact with more than just one person throughout their lifetime with your brand. Today, they can even work with more than one person in your org on a single project. So, if team selling is now the norm, shouldn't the team reap part of the benefit (ie, compensation)? In the past, sales structures were heavily weighted to an individual, now, more and more distributors are incentivizing the entire team to help grow the client and join in on the reward.

5. COMPLEXITY

Promotional product projects have changed, they've become far more complex. And complexity requires a different sales structure than a simple logo drop on an order of mugs. Multi-touch projects like kitting now require a team approach to solving problems on behalf of clients. Shops, though easier than ever before to create, can sometimes involve more people in the process. And it's not just what we sell but who we sell to that makes it complex. Even buyers are more complex now than in years past. Salespeople face multiple buyers within a company and multiple decision makers per project. Yes, we still live in a world of fast-turn projects, but the complexity for everyone has grown exponentially. Complex selling cycles call for a different approach for comp than transactional selling.

6. CLIENTS DEMAND STRATEGY, SOLUTIONS, AND SERVICE

B2B companies with the fastest rates of revenue growth approach customers with a consultative mindset, and the best sales reps now orient their playbook around solution, strategy, and service. Yes, we still sell a product, but what we really provide is a creative solution to a problem through the vehicle of a product. It's a strategic selling process finalized through a transaction. Of the top 3 skills B2B sellers need to develop, the one most pertinent to our industry is solution selling which, defined by McKinsey, is: strong product knowledge + solution design + account-planning skills. Straight-commission models are built for easy, transactional selling; consultative selling and account planning requires a more sophisticated mindset and long-range planning.

7. CONSULTATIVE AND CREATIVE SELLING MEANS LONGER SALES CYCLES

Sales cycles are not short in our industry, they are long. Yes, they are short by order, you can turn around a custom order quickly in this business, but the sales cycle is long by client. First, it takes a while to land a good client, second, it takes time, months, and sometimes even years to grow a client to full fruition. Longer sales cycles require a reframing of comp plans that both reward sales growth monthly or quarter (as you grow) as well as rewards for annual growth too.

Market shifts are dictating changes in how we serve the client and how we sell the client, which requires both a reorg of our team structures and a reevaluation of compensation plans. Moreover, the cost of living and inflation force us to rethink our pay structures because employee well-being includes financial well-being.

One encouraging note: Changing comp plans can be an intimating experience. You might worry, "What if my team doesn't like it? What if we're wrong? What if we de-incentivize through these changes." Ask anyone who has managed a sales team and tweaked comp structures, and they will tell you that you can change comp plans, in fact, you can change them and change them again. Meaning, you'll likely iterate on your comp structure until you come up with the right plan for you and your team but don't let fear keep you from trying.

Doug J. Chung teaches Sales and Management Strategy at Harvard Business school, and from a massive research project about sales comp, he wrote an article in Harvard Business Review titled, "*How to Really Motivate Salespeople*" In it, Chung encourages us with these final words of advice:

"I urge my client companies to consider experimenting with their payment systems. Over the past decade, managers have become attuned to the value of experimentation (A/B testing, in particular); today many consumer goods companies experiment constantly to try to optimize pricing. There are important lessons to be learned from doing controlled experiments on sales reps' pay, because the behaviors encouraged by changes in incentives can exert a large influence on a firm's revenue."

Don't let the intimidation of making changes to your comp plan keep you from growing because if changing your comp structure can impact your sales growth 50% more than changing your advertising, then it's well worth your time to reconsider a compensation structure where everyone wins.

3. Why a Target-Based Compensation Plan is Ideal for the Promotional Products Industry

Most distributors grow by osmosis: Land a client, nurture that client very, very well, and tend to its every call, email, and demand until, gradually, by an almost unconscious process, revenues increase.

Growth by osmosis is not a targeted strategy as much as it is a nurturing instinct. Which is not bad except, it puts all the growth opportunity with that client solely in the hands of the customer with no driving influence from you.

But imagine for a moment if you could combine both: your team's amazing ability to solve, source, and sell to your clients through high-touch, consultative service, as a result of a strategic, targeted growth plan.

When it comes to sales planning, we often conflate wishes with plans. We wish: "Next year, I want to grow my base by 20%" which soon becomes —oddly— a generic target we share publicly "our growth target is 20%."

But transforming a wish into a goal without a plan is a covert-op wish, a deep fake virtual cocktail of positive thinking and hope.

The irony is, that while our industry often sets arbitrary goals through wishful thinking, we are incredibly fortunate to be in a business that allows us to actually create targets and hit them (or exceed them). And if we can set, hit, and exceed targets, then we can build compensation structures that inspire goal-exceeding, because comp –for most of your team– should be uniquely tied to growth.

What's more ironic is that the industry's longtime gold standard of compensation (the straight-commission model) didn't lend itself well to sales targets, it created instead, a world of us vs. them (salesperson vs. house). For years, the promo industry embraced this commission-only model, and traditionally, the industry employed a 60/40 split or a 50/50 split (50% of the gross profit going to the sales rep, 50% to the house). But times have changed. The commission-only structure is a decades-old model that no longer fits the progressive way clients are served nor the stability demands of a younger workforce. Yes, some reps are grandfathered into this model and function just fine, there's no need to abandon it as long as it works for the rep, the house, and the team.

But a target-based approach to your sales planning and compensation structure is ideal for our industry. In fact, it's so ideal, that it's worth reengineering even those grandfathered structures into a catalyst plan for growth.

When Deloitte, the accounting powerhouse, compared various comp structures and their effectiveness, I found it curious how long we (as an industry) clung to a straight-commission structure. Deloitte contrasted a commission-based plan vs a target-based plan, and through its pros and cons showed that —for our industry— a target-based compensation plan is the most effective.

Why? Here are four reasons a target-based growth plan is ideal:

We contrast the operation of both approaches below

	Commission-Based Plan	Target-Based Plan
Sales Strategy	High growth; new business focus; transaction oriented	Moderate to low growth; maturing industry; focus on retained sales and penetration
Product/Market Focus	Single market/single product line	Multiple markets/broad product line
Sales Potential	Relatively equal sales potential; territory and account assignment	Unequal sales potential; geographic assignment
Sales Role	"Seller-driven," limited sales support; seller creates the business	"Team sales driven," multiple resources involved; seller plus overlay
Sales Process	Short or simple sales cycles	Longer or more complex sales cycles
Quota Allocation	Generally not reliable, limited data	Reasonably reliable, willing to do the work

1. A FOCUS ON RETAINED SALES AND ACCOUNT PENETRATION

Most of your business growth comes from existing clients (and the 80/20 rule is alive and well in our industry). And 84% of B2B new business is acquired by referral. So, a continual focus on sales retention plus penetration into each of your existing accounts is the most effective (fastest) way to grow. A commission-based plan often rewards transactional sales and short-term growth; a target-based plan rewards retention because you must build upon a foundation of sales to increase. And ultimately, a growing client is a happy client, which results in more referrals.

2. MULTIPLE MARKETINGS / BROAD PRODUCT LINE

Our industry is not a simple selling model. And despite our sales occurring through transactions, it is not a transactional model, it is now very much a consultative model. And “broad product line”? Try over 1 million products now in the industry. Mind-boggling. You don’t need me to tell you: that you learn something new every day. A new product category, a new imprinting process, a demand from a client you’ve never fielded before. A target-based approach to growth keeps your salesteam from becoming one-trick ponies (selling only caps or selling only apparel, or selling for tradeshow giveaways) and forces your team to think and sell widely into existing accounts.

3. TEAM SALES-DRIVEN GROWTH

Today, you likely have at least one project that's open in your book of business that involves more than just the salesperson. It might be a kitting project, a shop you're building for a customer, or, you might be involved in a rebranding for a client. Regardless, it is no longer just you involved. Team-selling is now the norm. In fact, in a recent conversation with Caleb Gilbertson, founding partner of imprint engine who is in mega-fast growth mode, he shared how they recently reorganized their teams into pods. And according to Deloitte, a team-driven sales approach, with multiple resources involved and what they call "seller plus overlay" is optimum for target-based sales. Why? A successful client relationship entails everyone pulling together. With teamwork comes increased momentum. When everyone is bonused or rewarded for growing a client, everyone contributes to the sale.

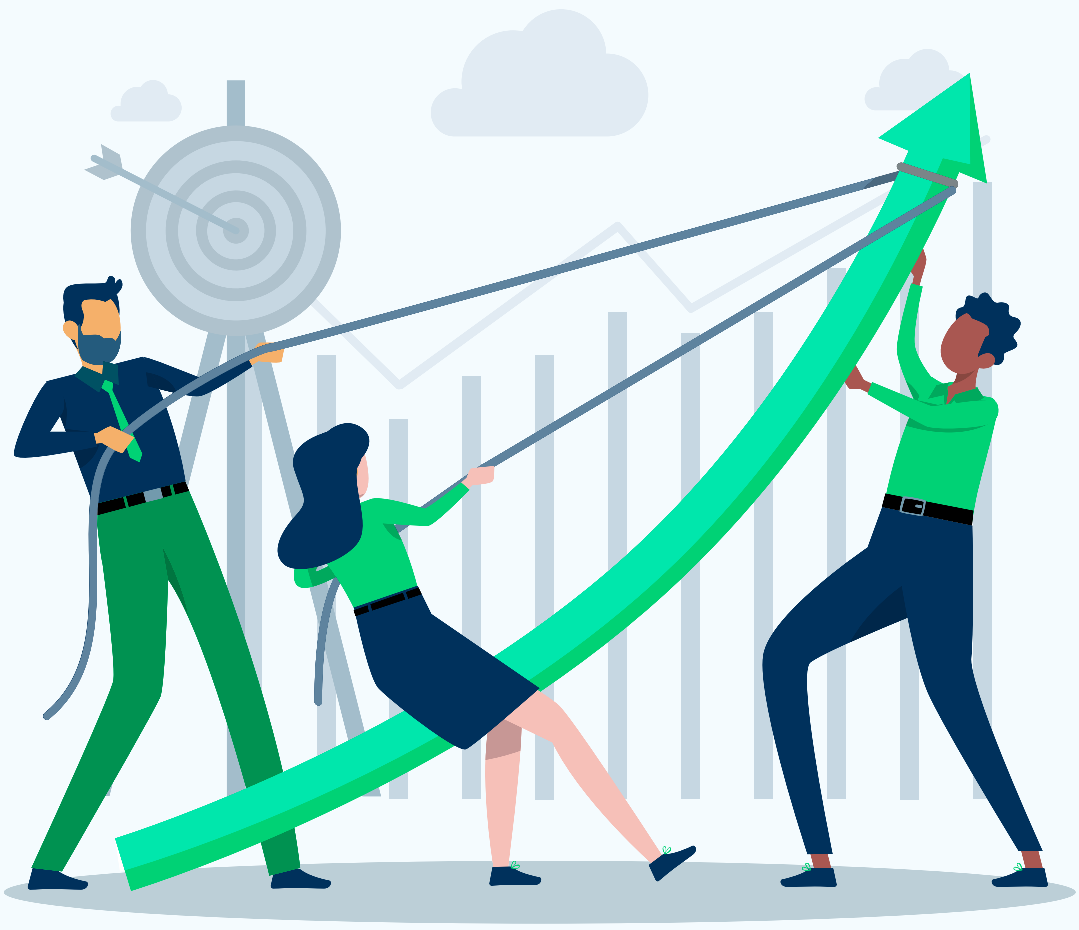
4. LONGER / MORE COMPLEX SALES CYCLE

Hello, kitting. Prior to the pandemic, the bulk of a distributors projects involved simple, one-location drop-ships and quick-turn orders. Now, complex orders cross your threshold all the time. It's no longer an anomaly, it's the norm. And as our friend Danny Rosin says, "good salespeople love complexity." Complexity adds value to your service. Complexity makes the client depend on your expertise. Complexity (should) command higher margins and deeper client connections. Yes, it's still relatively easy to close a quick sale to that long-time client and have that rush order turned around in 72 hours, but on average, orders are both increasing in size and complexity. The good news? Complexity creates higher retention value.

5. TARGET-BASED + COMMISSIONS + BONUS

Many salespeople who have been in the industry for some time are grandfathered into straight commission models. And it works for them largely because they have a foundational base of ongoing client revenue.

A target-based comp plan does not exclude commissions, but the difference is that a target-based plan becomes the activator, the leverage. The driving force for growth comes from a strategic plan that rewards sales increases through commissions and bonuses for hitting or exceeding growth goals, rather than commission structures and percentages as solely fixed denominators default, regardless of growth.



4 Compensation Rules Meant to Be Broken

(How to Rethink Compensation Plans for Your Promotional Products Business)

“Learn the rules like a pro so you can break them like an artist.”

Attributed to Picasso, that quote can apply to anything you consider sacred, like compensation plans.

But re-engineering compensation plans can be tricky.

And conversations about pay with colleagues can be tough, but they needn’t be. A successful comp structure does one simple thing: It aligns incentives with the overall business strategy to help move everyone forward. And because your business strategy can change from year-to-year (sometimes even quarter-to-quarter), it’s critical you view your comp plans as something not fixed, but malleable.

For example: in the promotional products industry, when it comes to new sales growth, there are only two ways to grow, either through new logo acquisition (landing new clients) or expansion sales (increasing current client revenue). If your business is not sufficiently diversified and you have too much business with one client or perhaps even in one industry vertical, then shifting your comp plan to reward new logo business would be a smart way to reengineer your compensation.

All sales incentives should be based on individual goals that ladder up to your overall company goals.

But something happens when it comes to designing a successful compensation plan: We freeze. We fear that comp changes will rock the boat too much. Or we feel locked in by old rules, afraid of change. Simply tweaking your compensation model can lead to growth! If (if!) you are communicating your business strategy effectively with your colleagues then the revised comp structure becomes a natural conversation to have rather than a difficult one.

Since we often either shrink away from the hard work of reengineering compensation or are afraid to touch those sacred rules, let's bust some myths about comp that can help you find a better way to reward your team for growth.

Here are four rules to shatter to help create a more robust and effective comp plan:

1. BREAK THE LEAD DOG-ONLY RULE

Break this rule, stat. It's a growing trend with distributors, many are revising comp plans that include sharing the wealth (ie, growth) with **all** employees, not just salespeople, whether through profit-sharing plans or bonuses based on sales growth. One distributor put it boldly: "There's a big disparity in every company, and that is that their salespeople are getting paid at one level and support people at a different level. We threw out that model and reinvented a way to pay **teams**."

Not that you should dampen your sales structure to limit your sales reps' potential (quite the contrary, see point #2), but the selling model has changed for the industry and the compensation plan should change as well. Just one example? Kitting. More people on the team touch a kitting project than simply one salesperson, so more should share in the reward.

Distributors are reimagining bonus compensation for all employees based on a monthly, quarterly, or annual percentage of the gross profit or even gross sales, mostly based on growth. And these bonus plans include everyone, from sales to sales support to the warehouse and more. In fact, it's rare now that many progressive distributors are not realigning comp plans to include **everyone** in the mission to grow revenue.

Another distributor stated, "If everyone moves the organization forward, everyone should reap the reward. You have to build a system that ensures that all people who drive the business, whether through preselling activities or post-selling activities, are rewarded for successfully driving growth."

2. BREAK THE ALL-PAY-THE-SAME RULE

Many distributors have already broken this rule or are in the process of breaking this very rule as we speak. They're redesigning comp plans that consider individual experience, individual goals, and, therefore individual incentives.

Not every rep brings the same amount of value to the organization. The one-size-fits-all comp model does not work effectively in this business. A one-size-fits-all plan doesn't take into account each rep's book of business, which is often a sharp distinction between another rep's book of business. (Example: One rep might work with finance and insurance with relatively level sales dips and spikes, while another rep works in more volatile industries, like tech or B2C).

To be clear, we're **not** talking about unequal pay; what we're talking about is how we incentivize sales growth **beyond** base pay. One distributor has all salespeople on the same base pay, but their bonus and commission plans are based on individual goals, he stated emphatically, "no two people's bonus structures are exactly the same." And that's the power of a customized comp plan.

An example might be a new salesperson who has no book of business. They might have the same base pay as a seasoned salesperson, but the seasoned salesperson might be incentivized differently depending on their unique growth plan for their career and for their clients. Or, one rep might be struggling with margins, and their bonus plan might include a boost in bonus for every percentage point they increase.

As a former distributor, one year, we had flagging margins with only one client, so, we incentivized everyone who worked with that client to marginally increase margins on every project quoted and within several months, we were back into healthy profit and everyone gained.

But it isn't just industry people breaking this very sacred rule of "all-pay-the-same," the experts recommend it too. In his article, ***How to Really Motivate Salespeople*** (Harvard Business Review), Doug Chung writes, "To get the optimal work, you should, in theory, tailor a comp system to that individual."

3. BREAK THE 3-MONTH BASE PAY RULE

A 3-month base salary is never going to be enough. Perhaps even a limited base-pay, period (not just three months long).

Three months? Never in this industry.

Some distributors want to recruit salespeople with the attraction of a short-term base salary and then let a straight-commission plan take over, phasing the base salary out entirely. But the learning curve in promo is way too long, and many salespeople, if not most, quit if they don't have a sufficient base to support themselves and get started. If they don't start with a book of business to build from, in the words of one distributor who abandoned the 3-month base model, "a 3-month salary is not enough."

Moreover, think ahead to the dips and valleys in a salesperson's annual sales growth. Some months are roaring hot; other months might not break even, a base sits as a form of security. Or, what happens when that rep, who no longer has the foundation of a base, suddenly hits hard times and loses 80% of their business. Do you throw away your deep investment in that experience on the weak principle of no base pay, or do you recognize that this is a rebuilding time but you have a strong foundation from which to build?

Remove the scare tactic of "no base salary" by giving your team a structure they can rely on because confidence, safety, and security are basic needs that no one should be deprived of through their work. From an *article in Wharton's business journal*, "What many managers and leaders don't understand is that emotions are not noise, they are data — and they are data about not only how [employees] feel but also how they think and will behave. There is this feeling that in some ways emotions don't matter or are off-limits. But there is a quarter century of research that shows how people feel at work has a direct and powerful influence on how they perform."

4. BREAK THE COMPENSATION-ONLY-IN-DOLLARS RULE

Sure, we all work for money. But savvy distributors are bringing in incentives of all kinds to supercharge growth: gym memberships, travel as incentives, fuel costs, and more. But don't trade a "one size fits all money model" for a "one size fits all incentive model."

In Michael Bungay Stanier's book "The Coaching Habit," he walks through seven coaching questions that can help bring out the best performance from everyone on the team. Of his seven critical questions, two of them apply beautifully to building a good compensation package: "What's on your mind?" and "What do you want?"

One distributor put it this way, "Don't just think about what a salesperson needs or wants in terms of commissions or earnings ... think about what they **need**. **Talk** with them about what they truly need at this time in their life. Perhaps they want to travel more, or maybe they want to invest in their health and exercise. Take the time to get to know your team and understand what their needs are beyond monetary compensation, you'll be surprised at how you can inspire your team toward growth by building an incentive package that matters to them."

That same distributor reflected, "They might only be looking at their immediate future and their compensation needs for now, but what they might need instead is a longer-term growth plan that could be achieved through more sales support. Getting them more sales support can supersede immediate monetary concerns and help them leap from $750,000 to $1.5 million in sales. Help them engineer their comp structure based on where they want to go."

One other pro tip when considering additional incentives: Don't create compensation goals in a vacuum, include the right stakeholders, which means: involve the finance department in crafting your compensation plan. A surprising tip learned from one savvy distrib leader is that he discovered that when he involved top finance people in his compensation ideas, they discovered new ways that would help shift spending to reward salespeople in ways that benefited both the rep and the bottom line.

FINALLY, ASK: "WHAT DO WE WANT TO REWARD?"

Much of your sales compensation changes come down to core values: What do you want to reward?

Sales compensation is not merely about incentivizing the right behavioral choices, it's not levers and buttons that amount to a psychological tool for leverage, but a mini-business strategy you co-create with your team that ladders up to a comprehensive growth plan. Less **manipulation**, more **cooperation**.

Instead of thinking simply, "how do we change our comp structure to increase profit," think: How do we change our comp structure to bring growth, culture, and community together to build a better business for **all**.

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