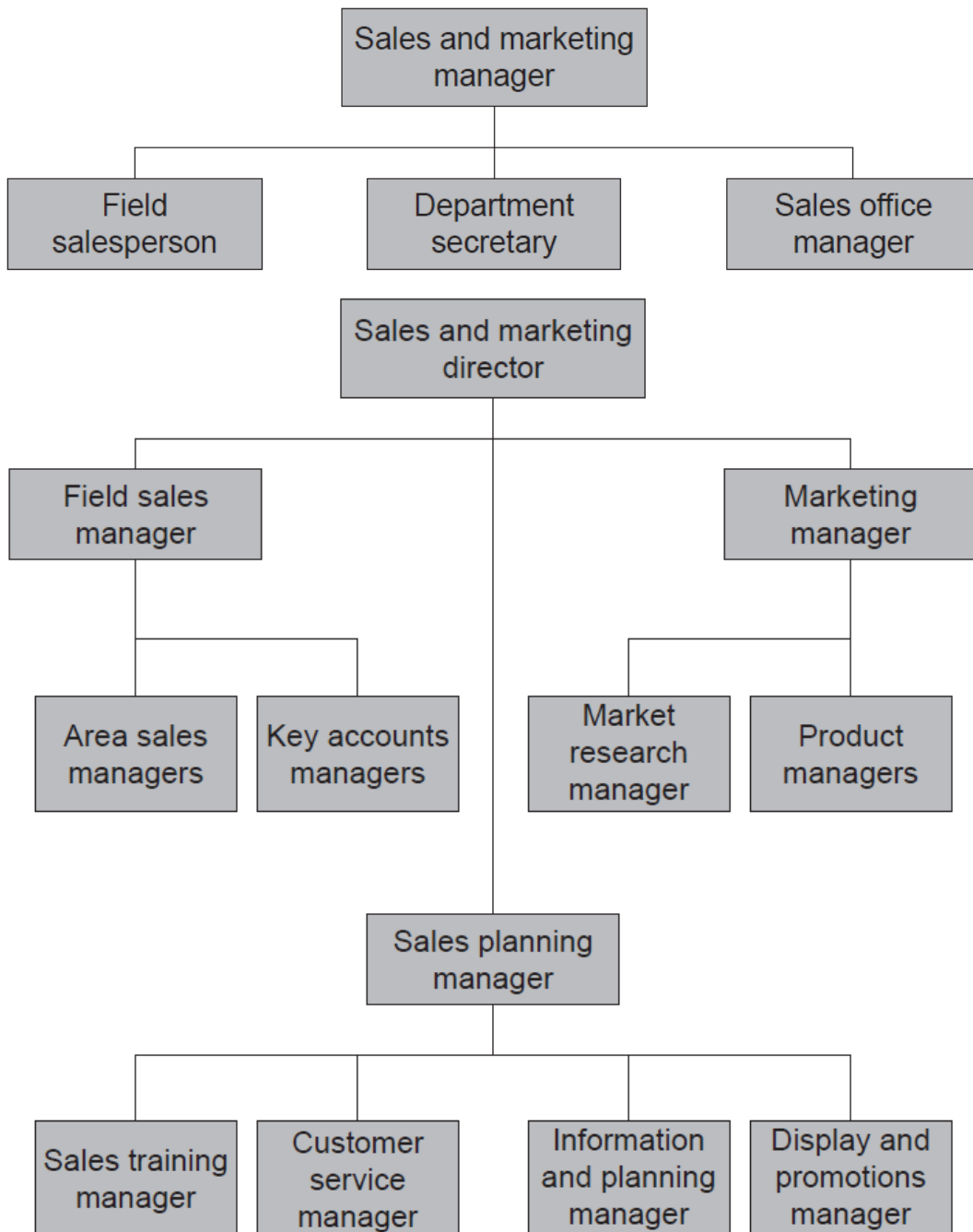


Organisation of An Export Department

http://e-university.wisdomjobs.com/sales-management/chapter-1644-309/sales-structures-and-organization_some-typical-evolving-organization-structures_10213.html

Medium to larger companies may have quite substantial selling organizations, and perhaps forget how the sales organization developed from its embryonic beginnings, when there were probably few customers and products, and very few personnel managed by a single sales manager, illustrated in outline in Figure.



As the sales volume increases, or the product range or product complexity grows, a larger, more sophisticated organization will be required to handle workloads or provide additional support functions, possibly along the lines illustrated in Figure . A number of

the job functions do not have line management responsibility over field selling operations, but provide essential support.

A formal job evaluation process will need to be developed at this point to fairly assess the relative values in terms of contribution to sales division goals and objectives, and seniority of each position. In this illustration, the functions reporting to the sales planning manager would be quite different, but would all working close proximity to him or her and each other, therefore being a manageable mix of functions.

A further stage of development typically occurs as sales grow to new levels, and it is felt necessary to split sales and marketing functions. Workloads might also be increasing, product ranges further expanding, market infrastructures changing, and target segments becoming more defined, with growing product service needs. The structure adopted will vary according to the nature of the market, i.e. whether consumer goods, industrial goods, or consumer services or business-to-business services are being provided.

Any particular organization structure should have scope for **flexibility** to take account of and develop with environmental changes. For example, the buying needs and practices of retail or industrial customers might change (buying may be consolidated at fewer buying points within large customer organizations), product distribution patterns might change (e.g. the advent of a growing direct marketing and home shopping culture).

The final organization should reflect skills of individuals and accountabilities of managers. For example, in Figure , the position of sales training manager could, logically, report to the national sales manager (in that the outcomes of the job impact directly on his or her responsibilities and key performance indicators); but he or she may have neither the skills, time, nor be well located to manage the function on a day-to-day basis. Figure illustrates examples of geographical, horizontal and vertical specialization.

A geographically organized sales force

As has been mentioned, a common way to organize a sales force is with some geographical split of responsibilities, breaking the country into similar sized areas and territories, where the size comparison might consist of population bases, number of outlets or customers, or the relative turnover values or potential. Figure illustrates a typical basic geographical structure.

Trade sector specialization

In many fast moving consumer goods and industrial product companies more than one sales force emerges over time to serve different trade sectors with the same product range (albeit the products may be presented and packed slightly differently to better suit each trade sector). The various trade sectors may have very different service needs, or requirements for promotional support, and require different inputs of selling time to develop business optimally. Figure illustrates some example structures.

An example of the same products requiring more than one sales force to serve different trade sectors is the wines and spirits trade. The retail (off-trade) sector will require a more aggressive selling style in a very competitive retail environment, product merchandising, in-store promotional displays and consumer promotions encouraging a take home trial, with selling activity taking place during normal daytime hours.

But the on trade (bars, clubs, etc.) will require a different selling style (less aggressive, perhaps, with emphasis on relationship development with owners/managers), probably a sales team that calls on customers when they are open for trade (which in many markets will not be until late in the day or the evenings), different formats of promotional support during peak evening opening hours, not with major feature displays, but perhaps with sponsored events and theme nights. Other examples follow.

- Food companies frequently have products sold through more than one type of outlet (e.g. supermarkets and smaller independent general stores or confectionery/tobacco/news stores).
- Pharmaceutical companies and other suppliers of over-the-counter remedies are frequently supplying to pharmacies, sundry non-pharmacy outlets (such as drug stores), and to hospitals and medical centers, while also needing to have a specialist team for briefing the medical professions (who will not be ordering personally for resale).
- An industrial manufacturer of paints typically would develop a separate selling structure to service the very different end use markets, likely to include industrial manufacturers of equipment that requires painting (e.g. by dipping or spraying), the professional decorating trade, as well as the home do-it-yourself market
- A manufacturer of electrical components, such as switches, connectors, plugs, sockets, etc., might have quite a variety of potential trade sectors to supply (see Figure), and all might require different service formats, and product variations.

In the example shown in Figure, retailers, such as the multiple do-it-yourself chains, might prefer single unit bubble packs. Building and electrical contractors would want to purchase bulk quantities with price key selection factor. Manufacturers of other forms of electrical products would want component inputs, for designing into their own products, where the component supplier might have to custom design a product of special size or shape to meet the customer's needs.

In addition the component manufacturers likely to want to promote to persons who specify components (such as architects of public sector bodies concerned with public housing). All this can make for a sales force structure with several separate sales teams who are each specialized in a market sector, possibly with special training or experience. Also, in this example I have deliberately used the title *sales operations manager* rather than sales office manager, to highlight that the job is much more than an administrative function, with considerable input to planning, customer service strategy development, and development of sales promotion support.

Product specialization

Many companies offer more than one product range, and these might be offered to a common customer base, or to different target market users/consumers. In such situations there may also be a need for different sales teams to specialize in the different product groups, even where they might overlap, calling on some of the same customers. In some instances the different sales teams might call on the same corporate customers, but deal with quite a different group of buyers or specifies. Figures give some illustrations.

- Insurance companies typically offer products to meet very different personal needs, such as household insurance, life assurance, and pension and investment plans. Some of these categories are frequently promoted by professional advisers (who typically receive a commission for recommendations), such as lawyers and accountants, and these advisers will need product briefings from specialist salespersons.

- A company selling industrial machinery and consumable materials for use with the machinery, such as print binding machinery and the binding materials, or shoe making machinery and shoe components, may also decide to split the sales force into product teams.

The machinery may be purchased by one type of buyer supported by specialist specifics, such as engineers, and the consumables might be purchased by another buyer supported by finished product designers and production managers. Each buying team will have very different objectives and criteria for judging products they are responsible for.

The machinery buyers may have concerns for capital cost, operating costs, spare part and service availability and support, and the sales team may need a level of engineering expertise. The consumable products buying team may be concerned for durability of the consumable inputs in finished products, design and aesthetic factors, ease of use by production operatives, minimum down-time through consumables jamming in machinery, etc.

If the products are very technical, it is likely that the sales teams may need to be supported by technical experts who can survey needs or work with engineers in specifying product modifications, as well as supervising tests and trials and providing installation support. A customer service function may need a particular focus on after-sales technical support.

Key account management

Some of the examples illustrated show a key accounts selling structure, sometimes also referred to as national accounts management. Some comment on the development and role of such a sub-organization is warranted here.

In many markets there is a growing concentration of buying points, in part through mergers and acquisitions, and in part through organic expansion. In retailing concentration is found in food, furniture, electrical goods, toys, pharmaceuticals, clothing, service products such as travel and cleaning, and so on.

Smaller independent retailers have often banded into voluntary buying groups in an attempt to remain competitive and to buy on better terms from suppliers. Similar trends are found in manufacturing for many product categories, where mergers provide benefits from synergy of operations. Buying then often becomes centralized, rather than each branch or subsidiary organizing its own supply purchasing.

As purchasing becomes more concentrated many suppliers become concerned for their margins (as buyers demand larger discounts, performance rebates, promotional and display allowances in retailing, and so on), and for security of their supply contracts. But there can also be benefits from purchasing concentration and proactive key account management, such as:

- an improved ability to forecast sales as more and better information becomes available
- better production planning and plant utilization
- improved control over supplies of inputs and inventories
- more flexibility and control in developing specific sales promotions to support ongoing marketing programmes
- opportunities to negotiate larger and longer-term supply contracts
- new opportunities to supplement standard products with products customized to customer needs (e.g. private label products for retailers, or customized design of industrial products)

- concentration of key selling functions to few highly skilled key account business development executives, trained to negotiate with professional buyers
- a possible reduction in the size of a field sales force, with resultant cost savings, and an opportunity to focus more management time and effort on developing business with the major accounts (nationally and internationally).

Key account management thrives on mutual respect and recognition of professionalism, in all aspects of business relations and negotiating. Neither party benefits from ignoring problems, either in relationships or technically with products or service, and both have a strong interest in satisfactory resolution of problems standing in the way of mutually profitable business development.

The account manager must, above all, be an efficient and effective communicator, both with the customers and internally within the selling organization, with a strong ability to influence senior managers. It is critical to select suitable persons to fulfill the job functions, as not all salespersons will have the personal and technical skills and qualities to work as equals with buyers, authorizers, specifiers and any other persons inputting to the buying process within major account organizations.

The size of a national accounts organization will depend on the number of major accounts warranting treatment as key accounts. Many companies find that a few customers contribute most sales turnover and profit, and analysis normally confirms the broad *Pare to* findings that 80 per cent of sales comes from 20 per cent of turnover (i.e. the 80/20 rule, or *Pare to* rule). Typically, when trying to assess the number of key account executives needed, look at:

- how many customers provide at least 50 per cent of turnover, or individually represent more than one per cent of sales (then this list can be refined to include the largest and those with most potential as key accounts)
- the number of subsidiaries or branch locations that need servicing for each account (as these should all be the responsibility of a single account manager)
- the amount of time needed for planning and performance monitoring
- the expected frequency of account contact (at head office and branches).

A simple tabulation of customer sales normally highlights the potential candidates for key account treatment. If there are different product groups or market sectors, the key account structure may have specialists in product groups or trade sectors, as illustrated in Figure.

Alton Plastic Mouldings		Top 50 customers (domestic market)					
Sales rank	Customer name	Cum % sales	Cumulative sales	Sales value	Gross margin	Cumulative gross margin	Cum % margin
1	Highbury Computers Ltd	6	835,827	835 827	591 397	591 397	10
2	Alsop Electronics	10	1 369 403	533 576	126 979	718 376	13
3	Standard Toys	14	1 898 884	529 481	226 387	944 763	16
4	Fairburn & Wilson	18	2 397 283	498 399	213 468	1 158 231	20
5	Alpha Instruments	21	2 715 545	318 262	73 495	1 231 726	21
6	Xenon Packaging Supplies	23	3 031 307	315 762	112 209	1 343 935	23
7	Wirex Components	25	3 337 375	306 068	88 331	1 432 266	25
8	Multiparts	27	3 613 210	275 834	115 618	1 547 884	27
9	Acme Superstores	29	3 886 421	273 211	58 509	1 606 393	28
10	Delsey Sales Promotions	31	4 123 897	237 476	95 077	1 701 470	30
11	Hyper Hyper Stores	33	4 351 292	227 395	68 971	1 770 441	31
12	Solex	34	4 563 589	212 297	60 085	1 830 526	32
13	Generation Games Ltd	36	4 755 552	191 962	72 244	1 902 770	33
14	Urquart Dept. Stores	37	4 936 053	180 502	28 454	1 931 224	34
15	DDC Electronics	39	5 103 482	167 429	52 638	1 983 862	35
16	Plastiploy	40	5 269 057	165 574	83 692	2 067 554	36
17	Computer Components Plc	41	5 418 114	149 057	148 310	2 215 864	39
18	Renshaw	42	5 563 042	144 928	50 618	2 266 482	40
19	Whyte & Wilson	43	5 707 801	144 759	38 407	2 304 889	40
20	Astari Computers	44	5 847 844	140 043	57 726	2 362 615	41
21	Maxi-Markets	45	5 986 287	138 443	70 485	2 433 100	42
22	Depal Packaging Supplies	46	6 119 113	132 826	70 535	2 503 635	44
23	Holstein Factors	47	6 251 021	131 908	65 959	2 569 594	45
24	Universal Exports Ltd	48	6 382 529	131 508	51 230	2 620 824	46
25	Senstronic	49	6 507 890	125 361	60 640	2 681 464	47
26	Guardall Security	50	6 631 805	123 915	42 656	2 724 120	48
27	Betta Housewares	51	6 754 083	122 278	50 974	2 775 094	48
28	LoCost Stores	52	6 876 224	122 141	46 904	2 821 998	49
29	Universal Car Parts	53	6 976 553	100 330	32 532	2 854 530	50
30	Bendi Toys	53	7 072 785	96 232	31 440	2 885 970	50
31	Wastall Partners	54	7 168 443	95 658	25 367	2 911 337	51
32	Midland Auto Spares	55	7 262 237	93 795	37 250	2 948 587	51
33	HomeGuard Security	56	7 355 458	93 220	60 929	3 009 516	53
34	Lylle & McKay	56	7 447 026	91 568	40 282	3 049 798	53
35	Partytime Games	57	7 537 986	90 960	31 970	3 081 768	54
36	Welstart Components	58	7 625 394	87 408	28 598	3 110 366	54
37	Rustall Plastics	58	7 711 163	85 769	41 221	3 151 587	55
38	Sonheim	59	7 796 767	85 605	74 493	3 226 080	56
39	Kut Kost Markets	60	7 881 037	84 270	66 143	3 292 223	57
40	Tennison Storage Ltd	60	7 963 944	82 907	62 362	3 354 585	59
41	Nordic Office Supplies	61	8 046 055	82 111	29 325	3 383 910	59
42	Wyman Stationers	61	8 126 835	80 781	39 250	3 423 160	60
43	Caruthers Dept. Store	62	8 207 360	80 524	37 533	3 460 693	60
44	Flex-tone Fitness Equipment	63	8 284 787	77 427	14 962	3 475 655	61
45	Beauchamp Lighting	63	8 356 784	71 997	33 245	3 508 900	61
46	Morrison Mallory Ltd	64	8 425 696	68 913	21 769	3 530 669	62
47	Modern Bathrooms	64	8 493 407	67 711	27 618	3 558 287	62

48	Huntingdon Spares	65	8 556 003	6 2596	22 283	3 580 570	62
49	Raschid Electronics	65	8 617 985	6 1981	34 984	3 615 554	63
50	Southern Garden Centres	66	8 679 655	6 1670	26 943	3 642 497	64
Top 50 totals			8 679 655	3 642 496			
UK totals 1996							
(845 active customers)			13 231 111	5 732 214			
Top 50 as %age of UK customers			66%	64%			
AVERAGES PER CUSTOMER			15 658	6784			

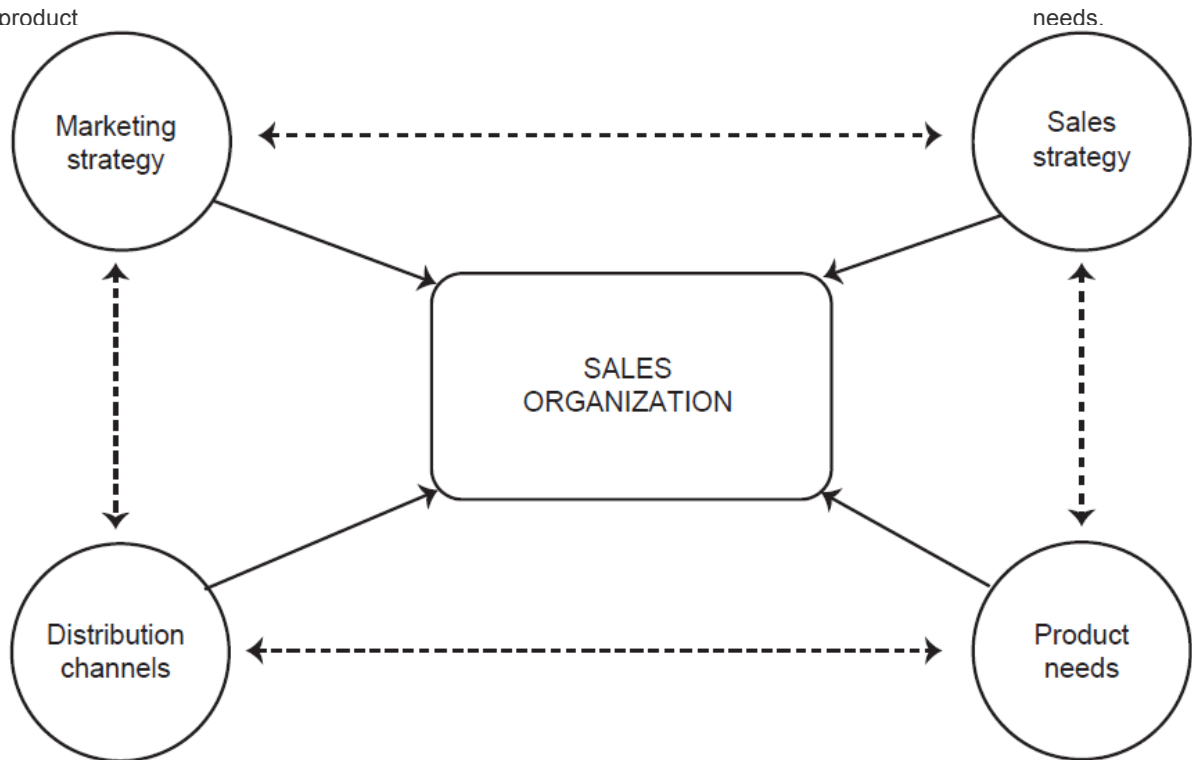
The example customer mix shown in Table shows that 50 customers of a total active base of 845 (six per cent of customers) accounted for two-thirds of sales and profits with our model company! And from amongst the top 50 there are probably at least a dozen that should warrant special development as key accounts, since each contributes between one and six per cent of sales. Even from the brief customer names we can see a mix of some industrial and some retail clients, as the plastic molding company supplies molded for industry as well as a range of retail plastic house wares.

It is interesting to note in this example that, while the top 50 represent a similar proportion of both sales and profits, the ranking for sales and gross margin would not be exactly the same, and there are significant differences between the gross margin yields from the various customers. Key account management is not just about generating and managing turnover, but managing the total business partnership of supplier and customer, with a focus on the profitability of trading.

Consideration in Organisation the Sales Force

- marketing strategy
- marketing goals and market share objectives;
- market segmentation and product positioning issues;
- target market sectors;
- marketing communications reaching the target market (prospective customers influenced by advertising and promotion must have a means to try and buy the product)
- sales strategy
- identifying and servicing trade customers or product users;
- market coverage objectives;
- sales volume/value objectives (to meet marketing objectives)
- distribution channels
- needs of each level of the distribution chain;
- market distribution infrastructure

- product



Motivating Through Rewards & Incentives

Sales managers should recognize that:

- financial rewards and incentives satisfy only some of the salesperson's personal needs
- marginal increases in productivity motivated through financial rewards may cost more than motivational alternatives (such as product knowledge and skill training, praise, recognition, promotion, feedback counselling and appraisals, and good internal communications).

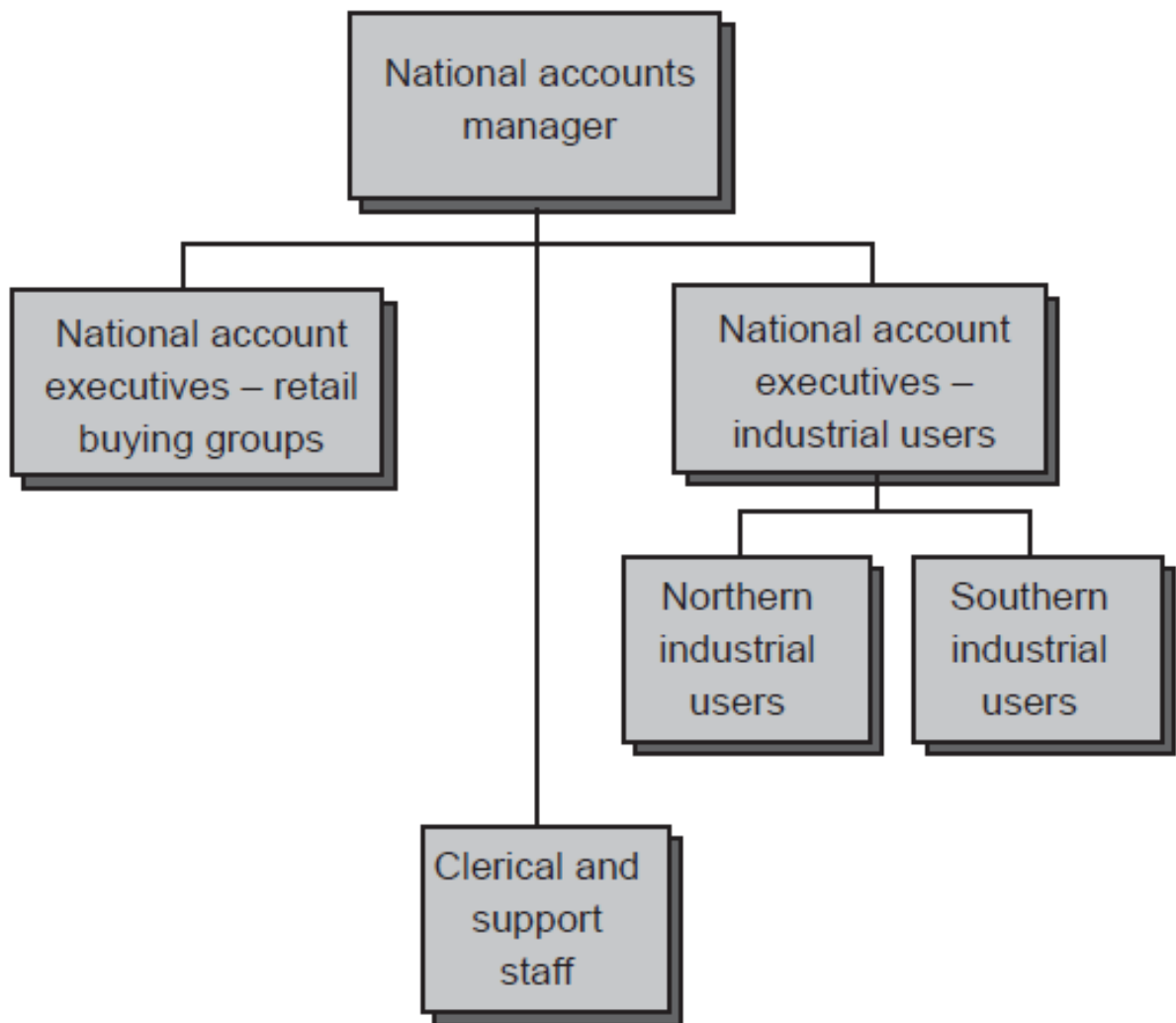
Incentives should not be looked at in isolation, but as part of the overall rewards and benefits compensation package used to recruit, retain and motivate the sales team, and also be considered in relation to the other non-monetary rewards from the job and working environment.

The sales compensation programmers provide:

- security of income sufficient to meet everyday lifestyle needs
- flexibility to motivate through merit and incentive schemes
- a responsiveness to changes in the job and product market place.

In each market environment the local sales manager should look at a total rewards scheme in relation to the factors in Table ,i.e.:

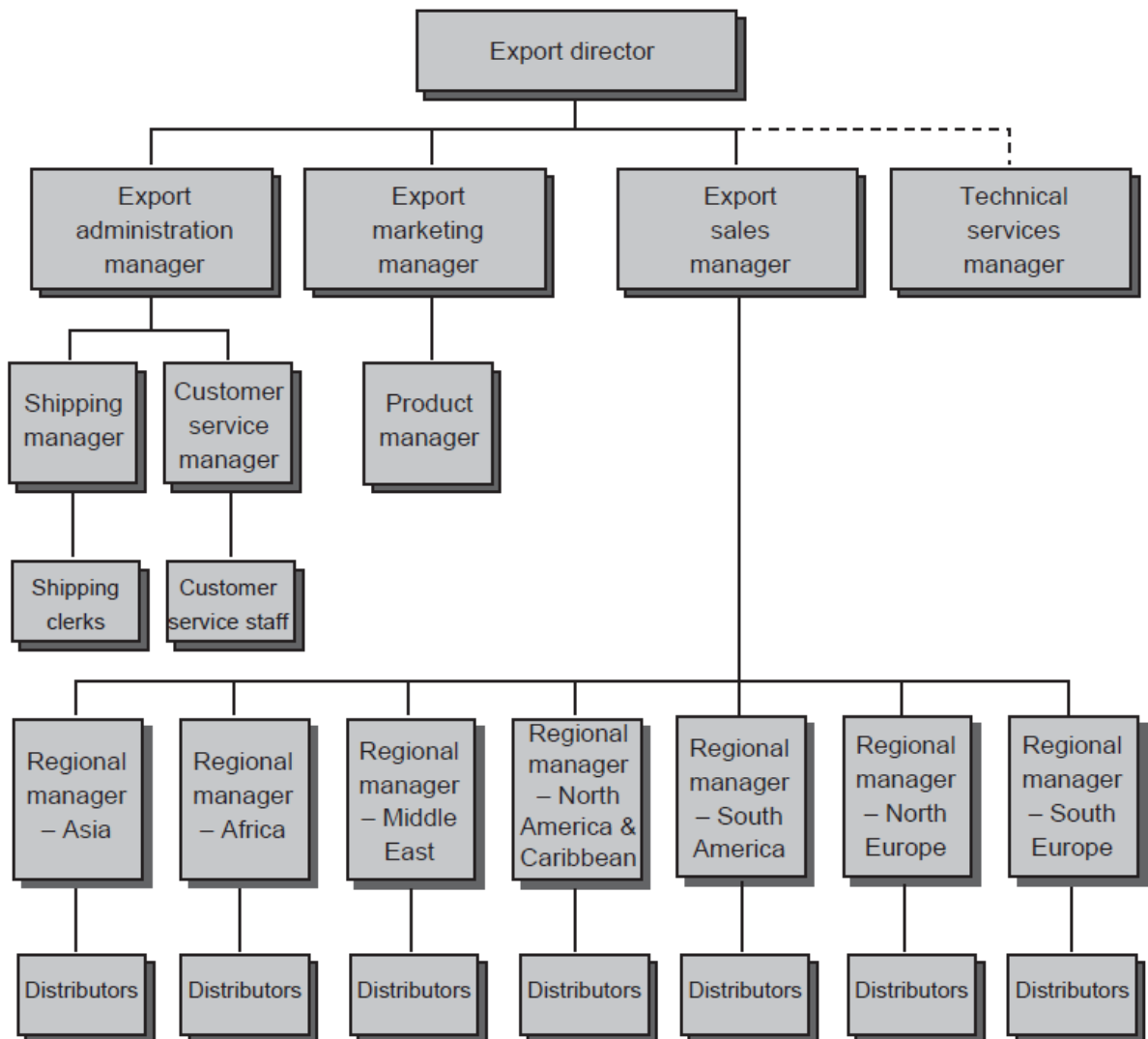
- team and individual performance standards and objectives
- individual expectations
- relative values of tangible and intangible rewards.



The key account organization structure, as a sub-department of the sales division, can incorporate, as appropriate, elements of horizontal, vertical and geographical specialization, with an example illustrated in Figure.

Export department organization

All of the basic principles of developing a sales and marketing organization outlined in this chapter can be applied when structuring an export organization. In some companies export sales operations fall under the control of a sales or marketing director, while in larger organizations export will often be separate function with its own director heading the organization Figure and Figure illustrate typically how the basic principles expounded here might look for a company with a larger export sales and marketing organization.



In Figure the technical services manager is shown with a dotted line linking to the export director, just to indicate that this position only functionally supports export operations rather than being a direct line report(probably reporting in to the research and development or engineering director,depending on the nature of the products).

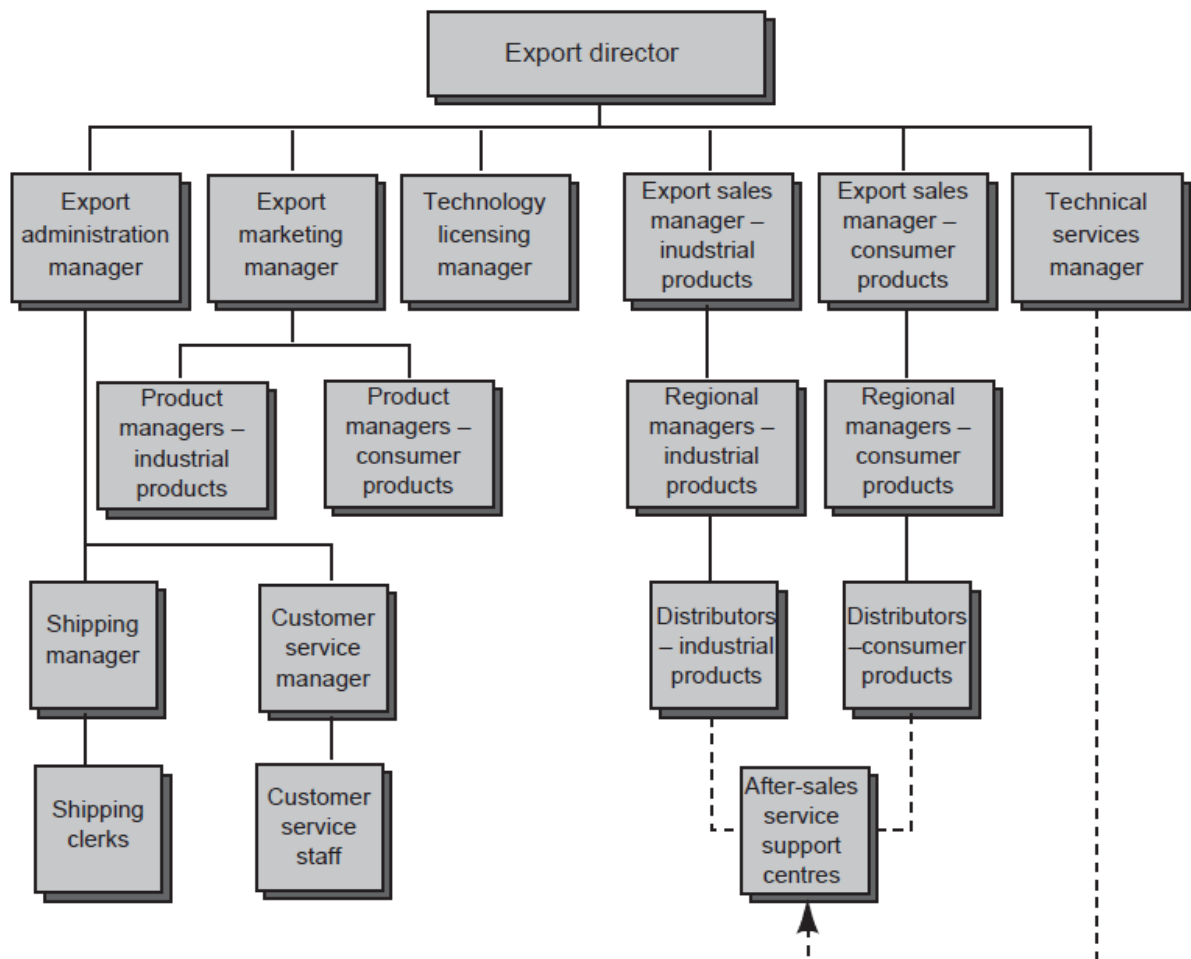
Matrix organizations

Some companies have found that the traditional organizational hierarchy has not always been effective or easy to manage as a company grows in size, and the product ranges and market sectors served diversify. Internal politics and communication blockages or barriers can result in delay sin implementation of strategies and tactics through all the departments that contribute to achievement of an effective plan .Marketing and sales managers cannot manage their own departments in isolation from other specialist functions or production and distribution departments.

The result in some companies has been forma form of **matrix** management to develop, to supervise projects and sometimes product development and management (with Figure providing an illustration). In this scenario the team can control planning, decision taking, evaluation and resource allocation, as well as performance monitoring against plans and objectives.

Typically, within the matrix, team leadership would be from a department with key inputs to contribute, such as marketing or possibly sales. Hierarchical reporting relationships would still exist, in that each team member has line superiors who would expect reports.

As any reader who has experience of this type of matrix team has probably discovered, the teams can only function effectively where each person has clearly defined roles and contributions, so that dysfunctional confusion do not hamper progress while managers argue over what they vie was incursions into their sphere of operations.



While, on the one hand, to internal manager sit seems essential to avoid conflict and confusion, what can frequently be overlooked in the melee of internal politics is the confusion customers experience when they do not know who, in a company, can effectively manage their business and relationship.

Customers who find they are being contacted by several persons (from the same or different departments), whether on separate or overlapping issues, will first become confused but soon learn to play the supplier's weaknesses in managing communications to their advantage.

So whether a traditional structure or some form of matrix organizational structure is preferred, lines of communication, both internally and externally, must be clearly drawn, and the roles and responsibilities of individuals clarified.

Developing a Sales Structure

A field sales organization is normally designed to reflect the geographical spread of outlets in any market. In addition it will grow both vertically, with tiers being added, and horizontally as development demands the introduction of more specialized positions. In addition, account must be taken of trade channel structures for the market sectors being serviced by the sales teams.

Geographically

Sales and management responsibilities could be divided by geographical area (possibly based on population locations or customer locations), so that certain functions are provided within a defined area. Typically sales territories are assigned on a geographical basis, and with some organizations a network of regional distribution centers is strategically located to service customers. In a larger sales organization sales support services might also be split geographically, e.g. with a network of regional sales trainers, or customer service staff with a specific regional responsibility.

Horizontally

Functions are mutually exclusive as a departmental sub-activity, e.g. sales training, customer service, sales planning,

Vertically

Within a department, as workload grows beyond the capacity of existing personnel, functional responsibilities are delegated downwards, with new tiers of management and non-management functional positions appearing. Each new level should have clearly defined responsibilities, objectives and standards of performance.

Trade channel structures

In some organizations that sell products in several market sectors a different sales team is developed to handle sales activity in separate trade channel market sectors with greater specialization, e.g. in the wines and spirits trade it is common to have separate sales teams servicing the ON trade (hotels, restaurants, food service and institutional customers) and OFF trade (supermarkets, liquor stores).

Pharmaceutical companies commonly develop separate sales teams to sell into pharmacies and hospitals, and to brief doctors. Suppliers of components might have one sales team servicing other manufacturers who would use the components as original equipment in another finished product, and a separate team servicing the (larger) network of replacement parts dealers.

Management span of control

Consideration will also have to be given to the **span of control** limits of each manager to manage, motivate, train and control salespersons, which is dependent on:

- the nature of work being performed (skilled or unskilled)
- the knowledge or experience of the persons involved in managing or being managed
- the physical proximity of jobs
- the similarity of content of the jobs being managed
- the time available and required for training, planning, communicating and supervising.

There is a general view that any single manager is limited in the number of persons he or she can supervise directly, and in the number of different functions he or she can manage effectively. Typically a manager might supervise four to six functions (sub-departments). In managing a sales team experience shows that first line field sales managers (area or district managers) can only supervise effectively between six and ten salespersons, providing all the inputs to management, control, training, performance monitoring, planning, communicating, etc.

While some companies will try to run with much larger teams, the normal result is a fire-fighting approach to field sales management, with a negligible focus on training, and very little time being spent with any individual. A good rule of thumb for a field sales manager would be to spend at least half a day to a day with each salesperson in his or her team each two weeks.

From this commentary we see that the size of a sales force will vary with the number of management tiers, and effective span of control at each level. Figure and Table illustrate how an organization might grow as levels are added. In these examples I have assumed that the span on control reduces the higher the position, as the higher the level of management the more time must be given to activities such as planning, rather than field salesperson management.

Very large sales forces are more commonly found in developed markets for consumer products and some service industries (such as insurance) rather than in industrial products, as the former normally have a much greater potential customer base to contact and service than do industrial product suppliers.

Other organizational considerations

There are some other considerations in planning the organization structure, including those listed below.

- **Workloads of individuals** The number of positions at any level depends on the workload capacity of individuals within each functional activity in the sales force.
- **Functional activities** It is necessary to identify the functions requiring separate management input, control and development to improve the quality and quantity of output.
- **Communications within the sales organization** Effective communications are essential to provide feedback, motivation, planning, recognition, and achievement of common objectives through coordinated activities.
- **Flexibility** The sales organization should be flexible enough to adapt to changing market conditions. Barriers to flexibility should be avoided or removed
- **Role clarification** Avoid internal conflict and non-functioning by ensuring each person in the sales team is very clear on his/her role, and avoid duplication of functional responsibilities, assign clear responsibilities, and promote good formal and informal communications.

In a field selling organization management control and motivation are more likely to be effective in an environment of one person, one boss'. One salesperson is normally responsible for all sales through an account or, at least, of a clearly defined product category. Various forms of functional or matrix management structures that might work in the office environment often result in confusion and under-performance if introduced to a field selling organization.

Any factor that can introduce confusion into the field management equation may need to be addressed. For example, companies that introduce the role of field sales trainer, to supplement the work of the area field sales managers, usually find that those

trainers rapidly become aware of the need not to usurp the authority of the line managers and be seen as an 'alternative manager'.

In other cultures, as seen in some of the developed markets of the west, people have high fixed outgoings in the way of living expenses, and may prefer higher basic salary with a lower level of performance-related rewards. Basic salaries may tend to act more as a maintenance than motivational factor. The rewards scheme developed for any market should meet the employees' needs and expectations, but must also meet the company's needs (such as achieving sales volumes at set prices and margins, and to recruit, train and retain effective salespersons) and its financial means.

The main forms of alternative rewards are shown in Figure. This highlights that the salesperson will see the immediate benefit of some forms of reward, but that other forms of reward do not provide an immediate visible benefit, only being valued when they come into effect to meet needs and situations.

The sales manager also must consider his or her particular motivational objectives, i.e. are incentive rewards being used to direct attention to either longer- or short-term strategic or tactical matters?

Basic salary or wages

Salary is a fixed reward for work done, and it may be the only reward or linked with other incentive schemes. It should:

- be competitive with that for similar positions in similar companies
- fit with company job-grading schemes that reflect the differing duties and levels of responsibility of positions within the company
- relate to the skills, experience and responsibilities required of the position.

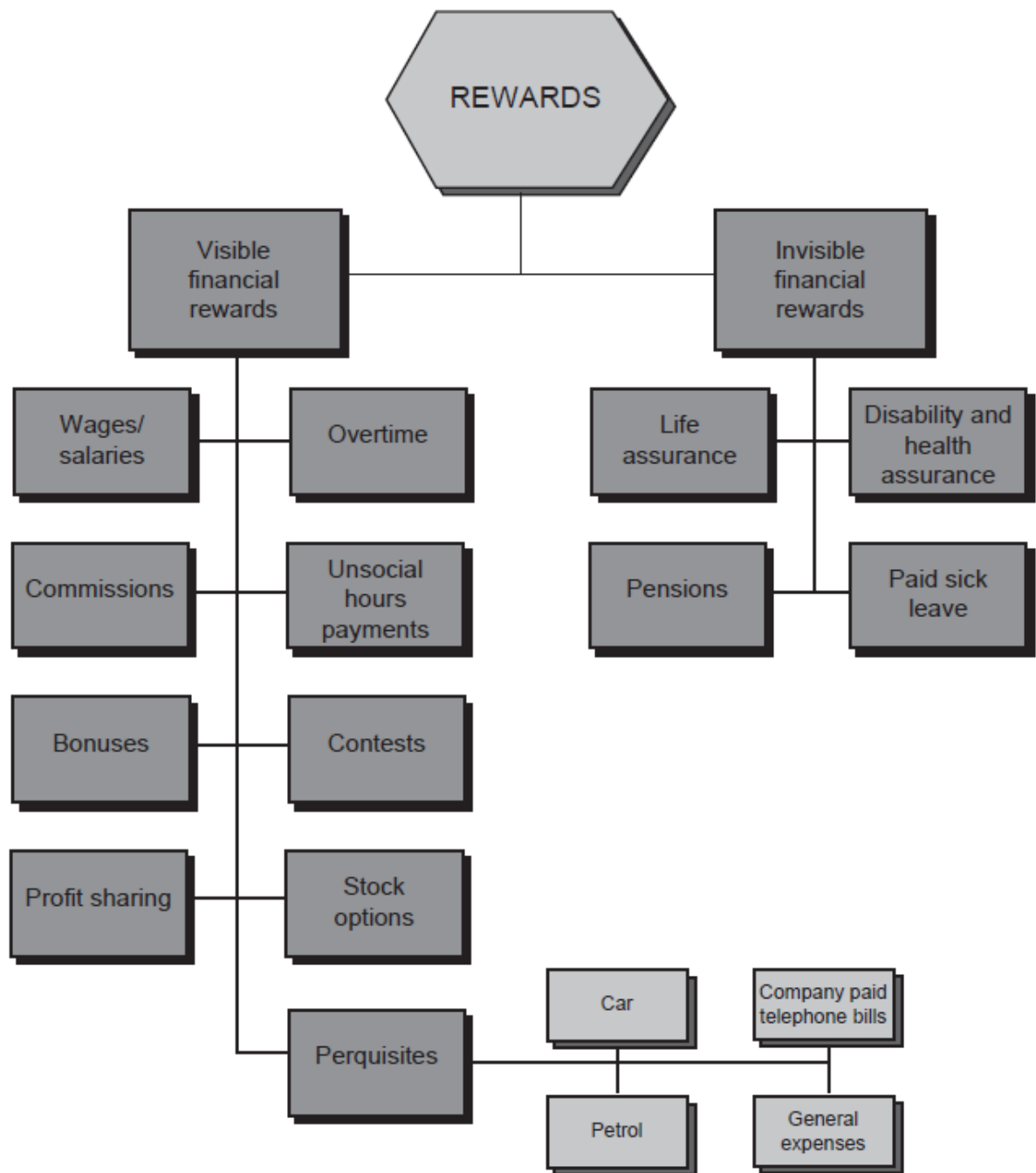
Many companies prefer to keep individuals' incomes confidential, perhaps with the concern that publicizing information will produce distraction as individuals concern themselves over their relative level of rewards.

Other companies take quite the opposite approach, believing that publicizing income information provides motivation to lower earners to strive harder for the bigger rewards. An in-between approach is to publish job grade scales, but not to indicate where any salesperson is within the scale band.

Commissions

Employees receive compensation from a company in return for work performed. While most people think compensation and pay are the same, the fact is that compensation is much more than just the monetary rewards provided by an employer.

Commission arrangements can be used for both service and product sectors. Some employers, however, choose to compensate their salespeople via straight salaries, thus compensating them in the same way as other employees, or via a combination of salary and commission.



The chief advantage associated with utilizing a straight commission arrangement is that it gives sales-people a major incentive to work hard on behalf of the company. But detractors contend that the compensation uncertainties associated with such plans sometimes make it difficult to secure good salespeople, and that their complete dependence on commissions may lead them into bad business habits.

Even detractors, however, admit that commission set ups do provide salespeople with meaningful incentive to work hard. As a result, the majority of businesses that maintain a sales force use some combination of base salary and commission—also known as incentive pay—to compensate their salespeople.

Bonuses

Bonuses are a sum of money granted or given to an employee, in addition to regular pay, usually in appreciation for work done, length of service, accumulated favors, etc. Bonuses are not usually regular reward, unlike salary and commission, but just paid periodically in recognition of special achievements.

Where bonuses are used to reward team effort it is common to create a team bonus pool, and then allocate bonuses by some formula relating to seniority or perhaps as a percentage of basic income. Bonuses, like commissions, should relate to a key performance indicator of activity where the individual can clearly affect an outcome, such as profitability of customers or a sales territory.

Contests

Contests normally offer non-cash prizes (but cash may be offered) for very specific and measurable achievements for effort and results against short-term priorities and objectives, i.e. for the salesperson who organizes the biggest supermarket display, or for the salesperson who organizes the most contradictions supporting a product, or the person opening the most new accounts over a defined time period.

A contest where there can be only one winner could actually be counter-productive, as those salespersons who fall behind early in the contest may simply 'tune out' and effectively become noncontestant. A well-structured competition will ensure that all salespersons have an equal chance to win a prize, which may put pressure on a sales manager to develop a territory handicapping system where all sales territories are not equal in performance and potential.

When structuring contests it may be worth considering the following points.

- Prizes rather than cash may be more motivating, and not produce an irregular cash earnings pattern.
- Prizes of family interest often prove particularly motivational.
- Offer a range of prizes so that all eligible participants feel motivated to achieve the required performance results.
- Ongoing award schemes, where points are accumulated by all participants, leading to the acquisition of any of a range of merchandise when redeemed, can be a good motivator.
- Contests should not always be geared to the same goals and objectives, but varied frequently to avoid staleness.
- Contests should home in on particular functional activities of the selling job that impact on key performance indicators, e.g. achieving displays or promotional activities, or gaining new distribution locations.
- Structure the competition to minimize abuse (more common where certain parameters are less objectively measurable): any penalty for identified abuse should be sufficient to discourage it. Competitions geared to a single objective often distract from other important goals and objectives or functional activities, and the structuring of a competition may need to consider applying penalties for underreporting other criteria (e.g., minimum performance standards must be met against basic standards of performance before additional activity counts towards the competition).

Stock options and profit sharing

Incentive schemes that offer annual profit sharing bonuses or periodic stock options are becoming more popular, and not just for management staff in companies. These tend to develop a recognition that the employees are important stakeholders in the prosperity of the company, and can also encourage greater loyalty.

Job perquisites

Managers are commonly seen as the main beneficiaries of job 'perks', but salespersons can also benefit from quite a range of perks that add value to the job. There are the tangible benefits of company cars and insurance, mobile telephones, laptop computers,

petrol allowances (since often liberal petrol expenses cover some or all of private driving costs), and so on, and intangible benefits of freedom from close supervision, working from a home base (for many salespersons).

Perks can be used as part of a motivational system, where, for example, there is an increase in perks or their value in relation to performance, e.g. a larger car as salespersons are promoted, or where certain levels of longer-term achievement are maintained.

Some companies have exclusive 'clubs'(e.g. a 'President's Club') open only to high performers, which encourages competition to gain entry, and then to maintain the minimum qualification standard to avoid loss of face from removal of membership status.

Additional holiday entitlement can also be used as a motivational reward. Sales managers should consider carefully before conferring benefits where loss of those benefits later could be very demotivating.