

Sales Management

SESSION 7

Sales Administration – Compensating the Sales Person

- The Salesforce of any company needs to be compensated adequately
 - to keep its morale high and to enable it to contribute to its maximum.
- The direct salary and allowances etc. are similar for all kinds of companies.
- However, the indirect benefits (such as incentives and fringe benefits / perquisites) provided by each of them may differ.
- The general trend is towards increasing the indirect incentives of the salesforce.

Objectives of Compensation Plan

A Good Compensation plan should consider both the company's and Salesperson's viewpoint

The Company's Viewpoint

- To control salespeople's activities
- To be competitive, yet economical
- To be flexible

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A Good Compensation plan should consider both the company's and Salesperson's viewpoint

The Salesperson's Viewpoint

- To have regular and incentive income
- To have a simple plan
- To have a fair payment plan

Designing/ Devising an effective Sales Compensation Plan

Designing a new compensation plan or revising an existing plan consists of number of steps

- Examine job Descriptions
- Set up specific objectives
- Decide levels of pay/compensation
- Develop the compensation Mix
- Decide Indirect payment plan
- Pretest, administer and evaluate the plan

Developing the compensation Mix

- ❖ Keys task in designing the effective Sales compensation plan
- ❖ The most widely used elements of compensation mix are
 - ❖ Salaries, commissions, bonuses, and benefits or
 - ❖ indirect monetary benefits, such as paid vacation (or LTA), sickness (or Medical reimbursements), pensions, accident and life insurance,
 - ❖ Which are also called as fringe benefits, perquisites or perks

Developing the compensation Mix

❖ **Basic Types of Compensation plan**

- ❖ There are three widely used methods or plans of compensating Salespeople
- ❖ Straight Salary
- ❖ Straight Commissions,
- ❖ Combination of Salary, commission, and bonuses