

## Let's Not Keep Secrets From Our Salespeople

I had an especially bad day on the telephone today.

I had my first conversations with three brand new sales coaching clients this morning, and not one of them could tell me what his/her sales volume was for last year, or even last month. When I asked for that information, each salesperson told me some variation on the theme that "my boss doesn't share that information with me."

During the afternoon, I talked with a couple of the owners involved, and they both seemed amazed that I expected them to provide such information to their salespeople. "It's not easy to pull all of that together," one of them told me, "and I just want her to sell, not to be worried about all sorts of other things that are none of her business."

None of her business? The way I look at it, management information is the absolute core of any business. Beyond that, I've always felt that a printing salesperson should approach his/her job as if it were his or her own little business. And it has been my experience that the salespeople who really do think that way usually turn their "little businesses" into considerably bigger ones, much to the benefit of the printer who employs them.

### Bare Minimum

At a bare minimum, I think every salesperson should receive a "commission report" within one or two days of the end of each month. This report should list every invoice issued to one of the salesperson's assigned customers during the previous month, with at least the customer name and the selling price shown, and with all of the selling prices totaled up at the very bottom. If nothing else, it should be easy for a salesperson to calculate how much money he/she made in commissions for the previous month.

I think it's also a good idea to route one copy of each invoice to the salesperson as soon as it's generated. In that way, your salesperson knows where he/she is in terms of invoiced sales volume on a daily basis. Am I suggesting that you should add another "part" to your invoice form to make this happen? Probably not. If you don't already have unused "parts," I'd be happy enough if you simply made a photocopy of the invoice for your salesperson.

What if you don't pay commissions, having decided that the best way to compensate your salesperson is with a straight hourly wage or a straight salary? Well, I guess it wouldn't be so important to provide a commission report then, but I still think your salesperson should know how much he/she is selling and who it's being sold to. Of course I also suspect that *your* salesperson isn't selling enough to anyone to make this sort of management information seem all that important. Why? Because straight hourly or straight salary is without question the worst compensation strategy for a quick/digital/small commercial printing salesperson. A sales compensation plan without commissions and/or some sort of bonus structure provides no real incentive for growth, and yet, 12% of the printers who responded the recently released 1999-2000 PrintImage International Industry Wage & Benefit Survey indicated that pay either straight hourly or straight salary. Well, I've never said it was a mystery why so many printers are unhappy with the performance of their salespeople.

What if you do pay commissions, but only after the invoice is paid? I still have a quarrel with your strategy, because I believe that salespeople are most effectively motivated when the reward comes very soon after the accomplishment. But I also know that this strategy is valid in some cases, for example, when a salesperson settles into a comfort zone servicing clients who routinely pay beyond your terms. Even in this situation, though, I feel it's important for a salesperson to know what he or she sold and who it was sold to as soon as possible after the close of the month. If nothing else, every printing salesperson should have enough information to set a sales goal for each month, and to know whether he/she reached it.

### More Detail

The next level of reporting detail would be to include profit figures on the end-of-month report. Now, does profit information fit into the category of "things that are none of a salesperson's business?"

If we were talking about net profit, I would say yes! I see no reason why any employee should know how much money the owner or owners actually make, whether we're talking about an individual order or a full year's worth of business. But net profit and gross profit/gross margin are two different things, and I think your salespeople should be aware of the gross profit status of the orders—and customers—they're responsible for. It shouldn't be hard to explain to a salesperson what those gross profit/gross margin figures really indicate, and it shouldn't be hard to for a salesperson to understand that certain orders or certain customers might not produce the gross profit that the company needs to be profitable overall. "Yes," you might say, "a 45% gross profit might seem like a lot of money in

my pocket, but you have to understand that all we're talking about here is the difference between the selling price and the cost of the paper and the ink and the press time. This figure doesn't include your salary or commissions, or advertising or telephones or the rent or the heat or the lights or the water that we use every day. What this figure gives us is a way to project what our net profits might look like at the end of the month, and it also gives us a place to look for problems when those net profits aren't what we want them to be."

Interestingly, another industry sales compensation fact brought to light by the 1999-2000 PI Wage & Benefit Survey is that 90% of respondents compensate their salespeople based on gross sales volume, with no consideration at all of the profitability of those orders. I have always been a strong proponent of variable commission rates based on profitability, because I don't think you should pay "full" commission for an order that doesn't carry your "full" gross margin. The greatest management benefit of an effective sales compensation plan is to motivate a salesperson to sell *the products you want to sell at the prices you want to sell them for*.

You may not decide to implement a variable commission rate, but at the very least, I think you should show your salespeople how each order and each customer compares to your "normal" or "targeted" gross margin. This may be the basis of "de-emphasizing" some accounts, and pointing your salesperson toward the need to replace them with better—read that "more profitable"—customers.

### **Big Picture**

I think your salespeople—in fact, all of your employees—should also be exposed to some of the "big picture" information about your business. For example, I see no reason at all to hide your total annual sales volume from your employees. For one thing, doing that would only make it harder to get your employees on board as enthusiastic allies in striving to meet your annual sales goals. For another thing, this would rob you of one of the most important tools a sales manager has in taking "price" away as an excuse for a salesperson's poor performance.

Every salesperson I work with has told me at one point or another that "I'd be getting a lot more orders if our prices weren't so high." I use the same strategy every time in refuting that statement. "There's nothing wrong with your company's prices," I say, "and I can prove that. What is your company's total annual sales volume?" (For the sake of example, let's say that the salesperson knows, and the answer is \$500,000.) "What that means," I say, "is that your company's prices are perfectly all right with at least \$500,000 worth of printing buyers. The problem here is not with your prices, it's that *you* are talking with the wrong people. Go out and find more people who think your prices are just fine, and don't tell me about the people who don't. They are not the people we want as customers!"

I've had a great deal of success with that strategy, and you can too. But please understand that certain "management information" must be provided to the salesperson before you can take the next step!

### **Secrets In Reverse**

What did your salesperson do today? How many customers did he/she make contact with? How many prospects did he/she identify, or follow up with? How did your salesperson spend *your* time. (It is *your* time, right? After all, you are paying wages in return for that time! When I pay good money for something, I figure that makes it mine, and I want to get value from it!)

I'm not suggesting that you need a minute-by-minute accounting of the way your salesperson spend his/her day, but you certainly don't want your salesperson's activity level to be a total secret. And I can't help but think that a printer who doesn't share sales information with a salesperson probably also doesn't have a very good idea of how that salesperson spends his/her time.

The idea here is that open communication is a two-way street, and you'll have a much better chance of getting the information you want if you also provide your salesperson with information he/she wants or needs.

### **Strategic Planning**

Why does a salesperson need all of this information? The best answer is simply because it's easier to plan an effective future strategy when you know what has happened in the past. I stated earlier that every printing salesperson should have enough information to set a sales goal for each month, and to know whether he/she reached it. As business owners, I think you also want each salesperson to give you a full-year sales forecast, and perhaps even a 90-day "rolling" forecast as well. After all, you have to make certain decisions based on what you expect sales volume and profits to be both in the short-term and the longer-term.

I would provide my salesperson with a detailed report at the end of each month, listing each order by both net sales volume and gross profit, and also showing monthly and "year-to-date" totals for each customer. I would then ask my salesperson to come back to me with forecasts based on what he/she thinks we can expect from each current customer, and with new customers factored in too.

I would also categorize each individual order by product type (letterhead, envelopes, business cards, color copies, PMS color promotional printing, 4/C promotional printing, newsletters, manuals, etc.) Why this categorization? I have written in the past about the value of understanding your “product line,” and about the assumption that just about every business will have at least some requirement for each of the core printed products that a quick/digital/small commercial printer can produce. The assumption you can make is that if they’re not buying one or more of these core printed products from you, they must be buying them from someone else.

The bottom line here is that knowing what they’re *not* buying from you will open your eyes to opportunities to sell more to your current customers. I hope you see the value in that strategy, and also that you’ll accept the importance of solid “management information” in capitalizing on it.

### **Knowledge Is Power**

So, let’s not keep secrets from our salespeople. There’s an old saying that knowledge is power, and knowledge can definitely translate into selling power. The more your salesperson knows about his/her little business, the more likely it is that he or she will help you to increase your business!