# Salesperson or Account Manager?

A recent thread on the PrintOwners list got my attention. It started out with an opinion that the success rate with outside sales in the quick/digital/small commercial segment of the printing industry was only about 20%.

I wish I could dispute that opinion, but the fact of the matter is that 20% is pretty much on target. The critical question, though, is WHY? The answer is that there's one purely economic thing working against success, and two all-too-common hiring/training/management mistakes.

The economic factor is simply that you tend to get what you pay for, and when what you're willing and/or able to pay is at the low range of the earnings spectrum, you're only going to be able to hire one of two categories of people. One is a person who's satisfied with earnings at the low end of the spectrum, which in selling usually translates into an underperformer. The other is a young person who can't command higher pay in the marketplace yet. That person might well develop into an all-star, but it takes both time and training.

The two all-too-common hiring/training/management mistakes are simply hiring the wrong person and then compounding the problem by not providing any training or management. It takes a lot more than a "good personality" to be successful at selling, and as often as I've heard the term, there really is no such thing as a "born salesman" in this world. Selling is all about skills and effort; the skills have to be learned and the effort has to be directed.

If quick printers did even a little better job at hiring, training and managing their salespeople, the success rate would be a lot higher!

## Managing and Motivating

In addition to a lack of training and management, I don't think there's much in the way of real motivation going on in our segment. Let me say that another way; there are a lot of bad—read that: ineffective—compensation plans in place out there.

The primary role of compensation in the sales management process is to provide motivation, and the starting points for an effective compensation plan are two questions: what are you willing to invest in a salesperson and what can you expect to get in return? Let's address the second question first. Here's a progression that I have found to be reasonable in the industry, and that I would be very happy with:

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| Year 1 | $100,000 |
| Year 2 | $250,000 |
| Year 3 | $350,000 |
| Year 4 | $430,000 |
| Year 5 | $510,000 |
| Year 6 | $580,000 |
| Year 7 | $650,000 |

These figures represent total sales volume for each year, with no customers assigned at the start of the progression or through the process. They are also based on a "typical" quick print shop equipment/capability package—nothing larger than a small format, two color press and mid-range copy equipment. As a frame of reference, I recently did a similar analysis for a client who operates a Heidelberg QMDI, and we started the progression at $175,000 for the first year.

By the way, if these figures look familiar, I recently expressed them in the summary of sales compensation that John Stewart asked me to write for the 2002-2003 PrintImage International Wage & Benefit Study. I know many *Quick Printing* readers participated in the study, and have already examined the results. If you are not one who participated and has already profited from the research, I can only wonder WHY NOT?

## Actual Plans

OK, lets address a pretty simple fact, a "typically" equipped quick printer is probably going to have to pay a salesperson at least $25,000 to generate that $100,000 in new business in the first year, and possibly even more than that. With a 25% or greater compensation load, you're not going to see a great deal of return on your investment in that first year, but that's why I used the term investment. You need the same long-term perspective when hiring a salesperson that you need when you consider any other significant investment—that new press or copier, or maybe buying your own building.

I have written before that an effective compensation plan should have three components: a guaranteed component (salary and/or a draw against future commissions), an earned component (commissions) and an incentive component (bonus opportunities.) I have also written that you want the guaranteed component to be as small as it can be—so that the earned and incentive components can be as large as they can be, thus giving your compensation plan maximum motivational power—and that creative use of bonus opportunities can help you to deal with a new salesperson's "need" during the first few months, while he/she is "ramping up" to actually earning at that level. (All of this is covered in much greater detail in a document I wrote called "Starting Smart Into Outside Sales" which you can download at my website—www.davefellman.com.)

I've developed a number of very specifically targeted compensation plans for my clients, but the baseline I usually start at is $1000 per month salary plus 8-10% commissions and some activity-based bonus opportunities during the early months to ensure that the salesperson gets off to a good start. If you carry that basic plan out along the seven-year progression I've outlined, you'll see that the compensation load continues to decrease as sales volume increases. With a $1000/8%/10% plan at $650,000 in sales, the salesperson would earn $65,400 and the cash compensation load would be just slightly over 10%. (That's $12,000 salary plus 8% commissions on "old" volume of $580,000 and 10% commissions on "new" volume of $70,000—again, the specifics of this sort of plan are covered in "Starting Smart Into OutsIde Sales.")

Remember, you also have to add in the cost of taxes, benefits and expenses to get your overall compensation load. Still, subject to operational problems and pricing considerations, I think you should be making a very good return on your investment at that level.

**Account Managers**

One of the issues that was prominent in the PrintOwners thread that got me started was that there's also a cost attached to providing customer service support for a salesperson. There seems to be a trend in the industry toward integrating the sales and customer service functions, using "Account Managers" to maintain assigned accounts and seek out new business opportunities, both within those assigned customer organizations and through some raw prospecting. In effect, each "Account Manager" is being paid to be both a salesperson and a CSR.

What do I think of this approach? I think it's working for some pretty smart printers, so it must be a valid approach! And even beyond that, you may remember that I wrote a couple of articles for *Quick Printing* last year in which I suggested using CSR's in a part-time approach to outside sales.

The "pure" outside sales approach is also valid, though, and I think the biggest difference between these two approaches is that a salesperson who is unencumbered with customer service responsibilities has a considerably higher "top end" than a combined salesperson/CSR. I know quite a few salespeople in our segment of the industry with annual sales volume in the $750,000 to $1,000,000 range—and a couple of people above that level too! I don't think any of them would have gotten to that level as quickly as they did if they were also expected to handle all of the customer service responsibilities for their customers.

Of equal importance, I don't think any of them would have gotten to that level at all if they hadn't been suited to the job in the first place and then been well trained and well managed! And some of what that means—the training and management part—is that they weren't allowed to fall into the "customer service comfort zone." Instead, they were focused on and motivated to develop new business! Their job description was to go out into the marketplace and identify prospects and then facilitate the decision for those people to stop buying from some other printing company and start buying from them. Their compensation plans supported that job description. In other words, a low "guarantee" coupled with a high incentive component made it worth both necessary and desirable to seek out new business.

**Bottom Line**

The bottom line here is that you have a choice on the sales side of your business. You can hire or designate an Account Manager and provide him/her with training and management and motivation to grow your business. Or you can hire or designate an outside salesperson and provide him/her with appropriate training/management/motivation. There's a cost involved either way, and in either case, the training, management and motivation will be the difference between success and failure.

By the way, don't forget that you have another choice. As the owner, you can get out and talk to your current customers about things they're not yet buying from you, and you can get out and identify some prospects and start working on that decision to stop buying from those other guys and start buying from you. When you consider the economic limitations that so many quick/digital/small commercial printers operate under, it's significant that the compensation equation for a selling owner has a lot less risk in it and potentially a lot more reward!