



**Why leading Wholesale Distributors  
are choosing**

**Best-in-Class Sales  
Compensation  
Management Solutions**



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# Introduction

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# Introduction

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For **Wholesale Distributors**, sales strategy and the roles of sales team members are changing; the various responsibilities of the multi-faceted 'generalist' role of the field sales reps is being fragmented with responsibilities such as expediting, order taking, technical support, etc. being spread amongst multiple roles.



A recent white paper from Mike Marks & Mike Emerson at Indian River Consulting Group highlighted their observation that Wholesale Distribution is experiencing significant forces for change;

- Internet use is conditioning customers to instant access to critical product and application information. The days of the field rep being the sole conduit of information flow is fading.
- Pricing pressures continue to increase
- Improved supply chain management is improving On-time-delivery metrics
- Industry consolidation is ongoing and spread throughout the supply chain

With sales efforts shifting from a 'lone ranger' self-directed sales strategy to team based management directed sales strategy, **organizational alignment is critical**.

In a marketplace struggling to adapt to these competitive forces, many are asking themselves if their sales goals - and more specifically the performance measures of each persons comp plan – are fully aligned with corporate goals. Can you update and communicate changes to your commission plans quickly and clearly enough to keep pace with this increasingly competitive environment? Are you doing everything you can to help your front line sales teams understand the goals and rewards available for sales activities that are aligned with these goals?

Read on to **learn about how your approach to managing the sales compensation and incentive process can be critical to your success.**



# Chapter One

# Improve Top Line Revenue



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# Improve Top Line Revenue

With a best-in-class approach to sales compensation.

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For **Wholesale Distributors**, time is your sales team's most valuable resource. Success and failure often hang in the balance as sales reps allocate their efforts to activities they feel will bring them, and their companies, the highest benefit. Improvements to top line revenue is a direct benefit of a world class sales Compensation Management system and can be measured by the annual increase in revenue that can be attributed to increasing the time each rep spends selling, the effect of a clearer focus on their role in the sales process ('Do your job') as well as selling a product mix that is aligned with corporate goals.

## **Improved accuracy in the commissions process => more time selling**

Sales Commissions are notoriously inaccurate. Ask any rep if they double check their commissions check and many will brag about the elegance of the spreadsheet based system (macros and all) they created to validate their sales credits and commission checks. You can bet that the time spent performing this activity (often referred to as 'shadow accounting') takes away from selling time. Who can blame them? But make no mistake, the productivity penalty of this situation is enormous. Research indicates that sales rep's will spend up to 5% of their time, or one day a month, shadow accounting. Building widespread trust in your sales compensation process will minimize shadow accounting and increase time spent selling !



# Improve Top Line Revenue

## Clear performance reporting across entire organization => Improved Productivity

A selling organization whose selling activities are well aligned with corporate goals will focus closely on the product mix being sold. Sales commissions are used proactively as a means of rewarding sales that are complementary to that strategy.

Key to alignment is transparency and reporting systems that are current with the latest sales data and clearly communicate performance to the reps in a concise manner. Timely communication of performance feedback are crucial to building positive momentum within your sales team. Your ability to communicate Rewards (Commissions) as closely in time to the Actions driving them (Sales Performance) is vital to maximizing the return on your commissions investment.

This is a common need for distributors with;

- Dynamic product lines struggling to manage product life cycles (introduction through obsolescence) of multiple product lines
- Just completed or are planning an acquisition
- Looking to encourage sales of the most profitable product lines
- Sales forces whose roles are in flux to meet changing competitive dynamics



# Improve Top Line Revenue



## Increasing Organizational trust => Reduce turnover

An important aspect of higher employee retention is avoiding the productivity hit as new sales people ramp up the learning curve. Maintaining the excellence of your high performing sales agents is an often-overlooked benefit of an investment in sales commissions automation. Often, it is the high performers that are making the most money who have the most to lose from an error prone system. Thus, it is usually these high performers that will seek employment elsewhere if they do not trust the company's sales commissioning system.

Keep in mind that it typically takes a new sales rep 6-9 months to ramp up to maximum productivity. According to recent survey, the cost to replace a sales agent is over \$110K. These costs include legal fees, recruitment fees, time invested by company personnel in the recruitment process, lost time during a search, and training costs. Any investment by the company that improves trust, morale and reduces turnover will quickly accrue benefits to the company.







# Chapter Two

# Reduce Operating Expense



 **Net  
Commissions**

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# Reduce Operating Expenses

With a best-in-class approach to sales compensation.

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Analysts<sup>1</sup> estimate that the errors associated with manual off-line sales commissions systems run between 3-8% of total incentive payouts. These errors can take two forms; underpayments or overpayments. Eliminating these payment errors can have dramatic, far-reaching, benefits.

## **Reduce underpayment => Improve employee trust**

Underpayment of sales commissions is the driver of the shadow accounting practices within sales forces. Eliminating these errors can drive operating expenses down by greatly lowering the level of manual dispute resolution and exception handling required. There are cases of sales managers paying a “finders fee” to analysts that help them track down sales for which they should be receiving credit. Needless to say, the sales team is not focused on achieving corporate objectives while engaged in these activities.

## **Reduce overpayment => Eliminate hidden costs**

This can be a hard dollar cost savings from day one amounting up to 4% of total incentive compensation dollars. Many projects for sales forces over 100 reps get funded on this cost savings alone. Commission overpayments tend to go largely under-reported as sales reps are less apt to complain when their commissions check is too high. When they are discovered, recapturing these funds can and may become contentious.



# Reduced Operating Expenses

Downstream ramifications of manual spreadsheet and/or homegrown based systems can not be overlooked;

## **Eliminate single point of failure => Improved Flexibility & Scalability**

Sales organizations will often rely on one or several analysts with very distinct responsibilities to support the sales incentive compensation process. Peers in the field commonly describe these analysts as superhuman. They need to know how to handle exceptions, enforcement of corporate policies & procedures, as well as the nuances of each sales person's territory and comp plan. In addition to these insights, they also need to know who to talk to when the quarter is about to close and time compresses.

Unfortunately, the qualities that make them superhuman also place the company in a very vulnerable situation. Job changes, promotions, medical leaves, etc. are a fact of life and something management needs to plan for proactively. What does a distributor do if such a critical person is no longer available? The penalty can include a spike in calculation errors, delayed payments, inadequately handled exceptions, protracted reconciliations and a breakdown of the process to near chaos.



# Reduced Operating Expenses

Downstream ramifications of manual spreadsheets or homegrown custom systems can not be overlooked;

## **Focus staff on strategic efforts => Focus on adding value**

Manual processes that are driven by desktop spreadsheets and custom built off-line applications are labor intensive. The trap is that analysts can get bogged down administering the process as opposed to focusing on increasing the strategic value of the sales commissioning process. Once beyond 'the tipping point', incentive compensation becomes looked upon as an entitlement throughout the organization rather than the energizing force it should be.

## **Reduced paper, telcom and material costs => reduced expenses**

The cost to produce and distribute paper based management reports, commission statements and transaction details, including supplies, postage charges and telecom expenses are all reduced through improvements brought through an investment in NetCommissions. The new generation of sales thinks in terms of web based on demand analytics and reporting. Significant time lags between sales and commissions are no longer acceptable if you plan to compete for the best sales talent in your industry.





# Chapter Three Summary



# About NetCommissions

NetCommissions helps companies improve sales force productivity by providing market leading on-line Sales Performance Management Solutions. We have a proven track record of developing and delivering innovative solutions that deliver not only timely and accurate payments, but also provide customers with the industry's most integrated, comprehensive and motivating web based Sales Incentive and Commission Management Software solutions.

## How can NetCommissions help you ?

### **Agile Infrastructure:**


Provide your organization with scalable flexible tools that enable you to turn on a dime as competitive & market conditions dictate.

### **Performance Analytics:**

Arm your sales team with collaborative, real time analytical tools, sales commission statements & performance feedback.

### **Visibility and Control:**

Improve timeliness and accuracy of sales incentives & commissions and streamline the management of your sales territories & quotas.



“It is said that we manage what we measure  
we also know that people do what they get paid to do.

By connecting incentive compensation to carefully chosen goals and performance measures, wholesale distributors ensure that what gets measured, gets done.”



# NetCommissions in action

See how NetCommissions can help you provide your sales organization with breakthrough productivity gains.

**SIGN UP FOR FREE**  
**DEMO**

This is also a good time if you have any questions for us. We will be happy to answer any and all questions regarding our solution or sales compensation.

Thank You