

Sales Incentives That Work

By Richard H. Gamble

In a weak economy, ISOs are rethinking sales incentives—monetary and otherwise

With merchant sales depressed by the sour economy, ISOs are struggling with a need to economize and simultaneously retain and motivate the best performers in their sales forces. Some are reconfiguring their compensation plans. Some are emphasizing recognition. Still others are sticking with what has worked in the past. And some are doing all of the above.

“We have contests, bonus programs, and revenue sharing, all paid promptly and accurately,” says Joyce Cook, CEO of International Cybertrans, a Nashville-based ISO. “We try to make the sales people feel really important and a key part of our organization. Rewards should provide personal satisfaction as well as money.” Cybertrans regularly holds friendly competition among its regional offices, with the winners getting gift cards or other perks. Recently, this ISO added a display that looks like a golf leader board to track the performance of the different regional offices in the contest. “We try to keep it visual, dynamic, and exciting,” Cook notes.

Cybertrans also made a fundamental change in its sales motivation strategy recently. “We always emphasized contests and motivational plugs, but we pretty much had let the sales people do their own thing out in the field,” explains Cook. Now, however, thanks to ideas Cook picked up at a seminar a year and a half ago, “we’re using accountability as well as motivation. Twice a week, all the sales reps give us their calendars. They have to show at least three appointments a day. They have to tell us the purpose of the appointment. And then, after the appointment, they have to report the results. We’ve really raised the level of accountability.” Has this tighter management hurt morale? “No,” Cook insists. “I’ve had people thank me for it. They think the structure this program provides is helping them sell more.”

While Cybertrans offers a traditional package of base plus commissions, the better performers are eager to get off base and work only for commissions because they make more money that way, Cook explains. However, some sales reps, particularly the younger ones, are starting to show more interest in benefits, she reports.



KEY NOTES

- ▶▶ One ISO has established a structure that promotes accountability as well as motivation. Sales reps must show three appointments a day and tell managers the purpose of the appointment. Then they report the results.
- ▶▶ Another focuses on traditional business practices where the best income security is a steady, growing residual stream that comes from satisfied merchants who are paid on time, get good customer service, and experience few disruptions.
- ▶▶ The bad economy is a two-edged sword. Shrinking revenue makes it harder to reward and retain top sales people, but high unemployment gives them less opportunity to move. The strongest incentive is continued employment.

“Everything depends on production and performance, but if a top performer wants to become an employee of the company with W-2 income in order to get benefits, we work with them to see if we can make that happen.”

On the other hand, some ISO executives say, “if it ain’t broke, don’t fix it.” Sound, traditional business practices still work best, insists Emil Billman, president of TransPay Processing, a Palm Springs, California, ISO. “Your best motivator and security is your past, not your future, because people trust your track record.” And for sales people, the best income security is a steady, growing residual stream that comes from satisfied merchants who are always paid on time, always get good customer service, and experience very few disruptions, he argues.

“For our sales force, we’re strictly residual-based,” Billman reports. “We’ve never changed how we pay sales people, never considered going to something front-end weighted, and we have no plans to change. We pay a generous percentage as residuals, so our sales people are well paid and not inclined to change employers.” And that means no motivational or promotional gimmicks at TransPay. “We don’t do contests, hold events, or present plaques. The best recognition is getting a bigger pay check every month.”

Blocking and Tackling

Many ISOs find themselves forced to change. Once ISOs started to compete by offering free terminals, sales compensation arrangements felt the impact, notes Les Reidl, president of Speer & Associates, an Atlanta-based payments consulting firm. Traditionally, a big part of a sales rep’s income came from a 50-50 split of the terminal sales money. With that money gone, as more and more ISOs offer free terminals to win business, the big question is how to offset that hit.

ISOs that always offered a 50-50 split on residuals are sometimes moving to 60-40 or even 70-30 to provide enough compensation to keep good sales people, Reidl explains. They’re giving bigger signing bonuses for new merchants, and they’re offering prepaid residuals, all to provide “a larger, more immediate reward for the sales agents,” he explains. They’re also trying to add more products and ser-

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vices to the package to give sales people more sales on which they can earn commissions and form stickier relationships with merchants.

But splits that are more generous to sales agents take money away from ISOs that can ill afford to part with more revenue. “Who has the deep pockets to pay increased splits or prepay residuals?” Reidl asks. “The big guys. Life has been getting harder for smaller ISOs. They’re losing merchants to the larger ISOs, and they’re having trouble keeping good sales agents because they don’t have the money to pay them enough. When the economy recovers, I think we’ll see that a lot of small ISOs have been squeezed out of business.”

The bad economy is a two-edged sword, however. Shrinking revenue makes it harder to reward and retain top salespeople, but high unemployment gives them less opportunity to move. The strongest incentive in this economy is continued employment, says card payments consultant Paul Martaus, president of Martaus & Associates in Mountain Home, Arkansas. “Right now, the biggest goal for a lot of people is just hanging

onto their jobs,” he observes.

“Today, the mindset is staying employed,” agrees Jeff Broudy, director of sales for Intuit’s Payments Solutions, based in Calabasas, California. You see less mobility when the economy is bad and unemployment is high. “If your job is OK and the pay is fair, regardless of incentives, people are inclined to stay put. That’s human nature. People just don’t want to take chances.”

And that’s why, right now, many ISOs show little interest in experimenting with compensation for their sales staffs, Martaus reports. “They are waiting for the industry to turn around and until that happens—if it happens—they don’t know what to do. It’s all about blocking and tackling and just staying in the game, hoping something good will come along.”

Basic Game Plans

If you built your ISO around the right compensation model, you don’t have to hope for better times, and you don’t have to make a lot of changes to compensation, reports Matt Freedman, chief operations officer of Total Merchant Services (TMS) in Basalt, Colorado. “The economy has nothing to do with it,” he insists. “It’s all about structure. Build the program right and it will work in any economy.” For Freedman, that means an array of value tradeoffs. TMS will pay what it thinks a sale is worth, but the sales agent will be free to receive or spend that value in a variety of ways—more bonus, more residual, more for advertising or marketing, more for referrals. It’s all up to the agent.

Freedman doesn’t believe in directing his sales force but in unleashing it. “We don’t tell them how to sell or market. They figure that out according to their circumstances. We just provide a program that helps them succeed, however they choose to do it,” he says.

But service is a big part of the sales compensation equation. When sales is separated from service, service remains a big factor in a sales agent’s success, even if it is not an obvious incentive like a signing bonus. “If I can do a better job at service,” Freedman says, “there will be less attrition and a sales agent will make more money with me through residuals, even

if a competitor offers a compensation package that looks better on paper.”

Not everyone agrees with Freedman’s strategy of increasing but not directing sales. For certain acquirers, processors, and ISOs, some sales are better than others, and there are ways to increase control over an indirect sales force by adjusting the incentives and rewarding the sales you are targeting, explains Greg Cohen, president of Moneris Solutions in Chicago. “We increase the compensation for merchants in a vertical we have identified for growth or for a product that we particularly want to push. We might pay \$200 up front for a new merchant but \$500 up front for a merchant in the health-care field, if that is a vertical we are pursuing,” he illustrates. With the right incentives, you can coordinate sales efforts with marketing campaigns or newly enhanced products. “We try to get everyone on the same page, to link compensation to the products and segments we think will be most rewarding.”

Recruiting New Talent

And even if you like your compensation model and your people, this is not the time to play a pat hand, Cohen suggests. This economy is giving ISOs a chance to upgrade their sales force and exert more control over them. “With the high unemployment, ISOs have more opportunity to hold people accountable,” he notes. “We’re inundated with resumes of all kinds. If your goal is to reward excellence, this is a good opportunity to weed out the underperformers. There are a lot of people waiting to take their places. Before, it was hard to find people so we would hang onto mediocre performers. We no longer have to do that. The prospect of unemployment is a great motivator.”

This is a great time to upgrade sales personnel, agrees consultant Jamie Savant, a partner in The Strawhecker Group. “Every ISO should have a recruitment program. In this economy, a lot of people are looking for work, and the recurring revenue model of merchant sales is quite attractive.”

While using independent agents paid largely on commission has long been the popular ISO model because of its ability to expand with little additional fixed

Tie Sales to Consulting

An ISO wanting to motivate sales people might learn from a recent graduate of the University of Pennsylvania Wharton School of Business who went to work in Los Angeles selling office products door to door, says The Strawhecker Group’s Jamie Savant. Savant wanted to know why a young man with such impressive qualifications would choose to take a commission-only job selling commodity products in a highly competitive market.

The man told him that he loved his job, even though he spent eight to 12 hours a day working, the last two hours planning how he could be most productive on his next day of cold calls. He would get up at 6 a.m., work out, eat breakfast, and start his sales calls by 8 a.m. Yes, business managers often told him that they could buy the supplies he was selling anywhere and that his prices weren’t any cheaper than other vendors. But he was less focused on moving product than he was on getting to know the business owners or managers, understanding their challenges and frustrations, and finding the solutions they needed. Only then would he turn the conversation to how office products might help. It was always about gaining efficiency and improving service to the customers.

Selling electronic payments services to merchants is similar, Savant says. “Merchants buy the service, not the rate,” he insists. Cross-selling is good, especially when it comes out of consultative sales and helps the merchant gain efficiency, cut costs, or improve customer service, he says. “You need to learn what a merchant needs and be sincere in working to help that merchant succeed.” That’s what makes sales people happy and successful, and that’s what ISOs need to train them to do.

cost, the case for a direct sales force is gaining support, Cohen says. “It gives you greater control, greater ability to carry out a business plan, because you can direct where they sell.” The bleak employment picture has also made people more interested in financial security and employee benefits.

While money may talk loudest, when money isn’t there to pass out, don’t turn up your nose at other kinds of rewards. “It may be time to emphasize the intangibles like recognition,” Broudy says. “Give sales people that. If they like their work, like the people they work with, and feel that they are appreciated for their contributions, that will go a long way to keeping them motivated.” Don’t overlook the importance of environment and business culture, he suggests.

And don’t overlook the rewards of training. To motivate and improve sales, Savant notes, an ISO needs to divide the

sales force into two groups—the high producers and the mediocre producers, he explains. Typically, it will be something like an 80:20 split—20 percent of the sales agents bringing in 80 percent of the business. Then they need to analyze the high producers and identify just what they are doing that works so well. Finally, they need to build a training program around those sales practices, training new recruits and retraining low producers to become high producers, he says.

“The first 60 days are the key to build confidence in sales reps and introduce them to your way of doing things,” Cohen says. “They need information but not too much. And they need successful experience doing things the way you want them done.” **TT**

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