Motivational ideas for sales managers

Business, Management

Motivational Ideas for Sales Managers

The retailing industry is characterized by a high inventory level and an extensive distribution network. Retail salespersons work in varied retail enterprises and help customers select and buy consumer products. The salespersons should know the product with its pros and cons. If the salespersons do not understand or are not sure about the features of their products, they cannot really convince the customers. To complete the sale, the salespersons have to listen more and talk less. Linked to this is the skill of asking the right questions. The successful questioning regarding the customer's requirements related to the product encourages them to close the deal.

Salespersons may make out sales cheques, cash and credit payments, give change and accept receipts. They may also be able to handle exchange and returns. In addition, salespersons also need to keep the working place spick and span. To work efficiently and systematically, many stores have installed computer terminals to register sales, adjust inventory figures and perform simple calculations. The computerized system helps the salespersons to work smartly.

Salespersons may help order merchandise, stock shelves or racks, mark price tags, take inventory and prepare displays. In selling things such as food, hardware, linens and house wares, salespersons usually only take payments and bag purchase. The most important quality that makes a salesperson dependable is his patience. They should be able to deal tactfully with impatient and rude customers in order to make a sale or handle a complain.

In business industry, incentives like attractive salary, bonus and rewards are being introduced by the management level to motivate staff morale, improve the quality of customer services, and promote team effort among staff to achieve better efficiency and productivity. The salary of some salespersons may be paid by hours. Some receive a portion of the price of what they sell, which is called a commission. Some salespersons earn only a commission and other receive a commission plus a low hourly wage.

Alan Chapman states:

Motivation of sales people commonly focuses on sales results, but nobody can actually “ do” a result. What matters in achieving results is people’s attitude and activity is directed. (par. 1)

Commission sales may allow retail salespersons to increase their hourly wages. However, how much to be received depends mainly on how much has been sold by the salesperson. To increase the profit, apart from applying their sales skills effectively, they may introduce customer sales incentives to drive more business. They may also use employee incentive programs to motivate the customer service representatives and sales team to work harder to convert customer interest into complete sales.

Part 2

First of all, we would have to make an assumption for this model. Consider a set up with one firm and one worker. Assume that the retail salesperson is the risk adverse and the retail firm is the risk neutral.

The objective function of the retail firm, which represents the surplus of the firm, is E(q-w) where q stands for the total output that the salesperson sold, i. e. the revenue of the salesperson, and w stands for the wages of the salesperson paid by the firm.

On the other hand, the objective function for worker using certainty equivalents is:

where w denotes wages, e denotes effort of a worker, represents the effort on selling products while represents the effort of providing customer service. Let c be a coefficient that measures the cost of effort to a worker. As previously stated, the salesperson is assumed to be risk adverse, so there will be an additional cost which is risk premium represented by in the function. The retail firm offers contract of the form where s is the basic salary and bi is the level of incentives for each task.

As mentioned before, a salesperson is performing under a setting which has two tasks. The first is selling products, the second is providing customer service. Thus, we know that there are two production functions. The first production function is and the second product function is . In these two functions, the quantity (q) is based on the effort of salesperson (e) which means the more the salesperson sells, the more the revenue, and random factors () such as economic downturn, consumers will prefer to save money rather than spend money.

Production Function is $q1 = e1 +$ if $e1 > 0$ and if $e1 = 0$. Similarly $q2 = e2 +$ if $e2 > 0$ and if $e2 = 0$. and are independently and identically distributed random variables (their covariance is 0) with expected values equal to 0 and with strictly positive variances. The firm’s total benefit is given by $q = q1 + q2$.

If both random factors are equal to 0, it means good luck covers bad luck that is represented as and .

Therefore, the maximizing problem of the firm is

MAX

b, s,,

Choice variables are s, b, e, therefore we need to simplify E(q-w) as the problem shown above.

Furthermore, constraints are needed to be considered when calculating the level of incentives. There are two types of constraints: Incentive Compatibility (IC) and Individual Rationality/ Participation Constraint (IR). IC means that the given s, b, e has to maximize salesperson's utility whereas IR means that the salesperson's utility has to be larger than U0 (opportunity cost working in other firm).

Due to the multi-tasking setting, there are two incentive compatibility constraints.

$b1 - 2c(e1 + e2) = 0$ (Incentive Compatibility Condition)

$b2 - 2c(e1 + e2) = 0$ (Incentive Compatibility Condition)

Both of the IC imply that b1= b2= b, therefore we can combine the incentive compatibility constraint as $b - 2c(e1 + e2) = 0$

Moreover, Individual Rationality/ Participation Constraint (IR) is written as

By using the constraints, we simplify the maximizing problem to figure out b. As a result, the level of incentive will be expected to be balanced across tasks. For example, if one task has noisy performance measure, both incentives will be worsening.

Part 3

In the retailing industry, companies usually conduct an incentives scheme with base salary and commission which is quite similar to the model that is stated in part 2. According to my experience working as a salesperson, sales commissions are paid to employees or companies that sell merchandise in stores or by calling on customers. The commission is meant to motivate salespersons to sell more. A commission may be paid in addition to salary or instead of salary. A common place that commissions are paid is in real estate marketing.

A commission is generally a percentage of the sales price of an item. For example, if a salesperson receives a 10% commission on their sales and sells $1500 worth of merchandise, he would earn $150 in commission. And usually, in a retail firm we do have a goal that the salesperson is expected to achieve in a certain period for a specific performance measure. The more the salesperson sells, the more the commission he gets.

Besides, bonus is a form of incentive payment. It is typically paid against total performance for a period. The performance can be for various measures such as sales, units sold, customer satisfaction, etc. We commonly have quarterly and annual bonuses. An example commission could be that ‘ if units sold are more than 10, 000 for Armani Suit, then pay the manager a $5, 000 bonus’.

Comparing the expected result from the model stated in part 2 with the result in the real world, it is found that the outcome is quite similar. The scheme will bring positive impact on motivating the
salesperson’s effort, and resulting in higher output and higher profit.

Works Cited

Chapman, Alan. " motivational ideas for sales managers for sales teams."

Businessballs. com. Alan Chapman, October 2009. Web. 12 Oct. 2009.