

# Atomic company case study

[Business](#), [Company](#)



Thanks to a lucky series of events, Atomic Company has enjoyed a sharp increase in sales of their Tiger Pants line. The most obvious and immediate pains being felt by management is the inability to predict future sales and the high amount being paid out in sales commissions. While these are legitimate concerns, I believe deeper problems exist. The current sales structure divides independent sales representatives into different product lines and territories. This means that an Atomic Company retailer carrying four or five different Atomic product lines would have four or five different sales representatives.

Not only that, independent sales representatives typically have a fairly high turnover rate in the industry, which means that relationships with Atomic retailers suffer. With this structure, it's difficult to get a full picture of a retailer's needs. In order to place an order for Atomic clothing, the retailer has to go through multiple people. With high turnover, it could mean that a retailer has to work with a new sales rep every year - sometimes more frequently. It's difficult to estimate future sales because sales reps don't have a big picture view of retailer needs.

More importantly, Atomic Company is not encouraging fully committed relationships by creating value, meeting expectations, or building trust (Cron & DeCarlo, 2009). An added issue surrounding sales structure is that commissions are set up so that sales reps get rewarded with high commissions for orders from existing accounts. If the sales reps are getting orders from a spike like the one just experienced, they may not care to go out and find new business or nurture existing accounts since they've already met their personal commission goals. Alternative Courses of Action 1.

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Develop a sales structure where a greater number of territories are created for independent sales representatives. Keep the commission at a flat 15 percent. 2. Transition into a company sales force for all product lines of Atomic Company, including Tiger Pants. Set salary at \$40, 000. Reduce the commissions to 10 percent for sales from the first year of new retail accounts and five percent of new sales to existing retail accounts. Further, set up a way for existing accounts to place straight rebuys directly with the company that sales reps would receive two percent commissions. 3.

Maintain status quo, sticking with the current structure for independent sales representatives and commissions. Analysis of Alternatives 1. By increasing the number of territories and then assigning one representative to each territory for all apparel lines, reps will be able to focus on building relationships with retail stores. Each rep will have a good idea of the total amount of Atomic apparel being purchased by their retail stores, along with opportunities to expand various lines. They will understand their customers and be better able to predict future sales because they will have developed a relationship with store managers.

This approach will simplify the purchasing procedures and create value for retail stores since they will only need to place one order for all Atomic products. The number of sales calls will decrease, level of communication will increase, and overall expectations will be met at a much higher rate.

Commission rates would be kept at the usual 15 percent so current independent sales reps working with Atomic wouldn't have to adjust to a new pay structure. More importantly, Atomic won't have to risk losing their

current reps and have to go through the hiring process or risk disruption to current accounts.

The downside to going with this approach is that Atomic Company may end up spending more than they should on sales commissions. Fifteen percent is a very high rate and really starts to take its toll when sales spike like they did in the case of Punk Rock Academy. Further, independent reps are less loyal to the company, leading to higher turnover rates and, ultimately, impaired retail account relationships. 2. Hiring company sales reps and separating them out into defined territories for all Atomic Company product lines will provide each of the benefits stated above.

Additionally, company sales reps will feel a higher sense of commitment for Atomic and the accounts they serve since they will be receiving a salary with commissions based on performance. The way the commission structure is set up, there's incentive for sales reps to try to identify opportunities for new business. If a situation similar to Punk Rock Academy arises, sales reps will still get some commissions from their existing retail accounts without getting bogged down with administrative tasks. Straight rebuy orders will be processed internally, allowing reps to focus on generating new sales.

A downside of going with this new structure is that there would be a significant adjustment period for new reps to get hired and become familiar with retail accounts. Additionally, an investment would have to be made in providing office space, equipment, training, and an employee benefits package. 3. Sticking to the status quo will produce results similar to what have been achieved to-date. While the company has experienced success

with it, recent developments with Punk Rock Academy have proven that it is flawed. Independent sales reps don't have a fully vested interest in Atomic's success.

This structure also makes it difficult for true relationships to be formed with retail accounts. Finally, commission rates are structured in such a way that there is not a lot of incentive to develop new retail accounts as long as business is booming. The minute fads change, however, reps will be set back and will have to scramble to make up for the loss in sales. Recommended Course of Action Although switching the entire company and all product lines over to internal sales reps would require a significant initial investment of time and money, it will be worth it in the long run. My recommendation is to go with option two.

Overall, this course of action will put the focus back on forming account relationships that will create value and allow Atomic Company to meet the expectations of their retail outlets. More in-depth knowledge of accounts in smaller territories will make it easier to predict future sales, especially when a spike in sales occurs. Retail stores will provide excellent input on consumer behavior since they know their client base and can use past experience as a reference. The revised salary with commission structure will help reps balance out serving existing accounts with finding new business.

A base salary will help retain sales reps since they won't be worried about facing months when sales might be a little slower. Implementation/Action Plan All existing independent sales reps should be alerted as soon as possible that effective the beginning of third quarter, Atomic Company is

making a switch to inside sales representatives. All reps with a solid track record would be invited to continue on as a full time employee with salary and revised commission structure. Reps would have two weeks to make a decision on their intentions to stay with the company.

If individuals choose to leave, they would be offered a bonus if they stay on contract until the beginning of the fourth quarter. After two weeks, Atomic Company will have a sense of how many new sales representatives will need to be hired so they can begin the recruitment process. Formal salary and commission structures will be set up and the VP of sales will develop a complete plan for sales training and account relationship management under the revised territories. Benchmark sales goals, objectives and strategies will be written out to fall in line with overall company goals.

After the first quarter under the new structure, management will need to evaluate progress and adjust as needed. Contingency Plans If timing doesn't allow for a quick implementation of the new sales structure, a hybrid approach can be taken. The eastern territories can be broken down into smaller areas and inside sales reps can be hired to manage those accounts. Meanwhile, the central and western territories of the U. S. can maintain use of independent sales reps for various product lines. This could be a good opportunity to test out the new structure to see how well received it is by retail accounts and how it impacts overall sales.