Retail:
Corporate Strategy and Commissions

Lanshore LLC
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In the changing world of retail, people are still key

It is unquestionable that retailing has changed beyond recognition in the past decade with movement to online sales, social media, globalisation and branding. During this period, the word ‘brand’ has become overused, perhaps outdated or lost. We’ve seen the evolution of ‘mega brands’ and ‘brand damage’ amongst other things. Probably now, brand is a banned word in most cutting-edge advertising or marketing agencies.

Despite this, and whatever such agencies have renamed it (customer experience?) what the wider world understands by branding and product positioning is still valid and relevant. As examples, we continue to see how social media can be used as a tool to strengthen brand recognition, target advertising, and negatively, how quickly and easily brands can be damaged by bad feedback or negative associations.

So, branding, positioning and customer journeys are doubtless key to most retailers and are subjects that get a lot of press and attention. However, arguably the most crucial factor in retailing remains to be (and always will be) actual sales volumes and figures. What and how much they are actually selling and what they are making in each case.

Another constant related to both these subjects is that, it is still more expensive to get a new customer than to sell more to an existing one. Therefore, crucial to all targets is the retention of customers, the upsells, the conversions.

So, provided the marketers are doing a good job and the brand and goods are positioned and priced such that the customers are engaging, what makes people actually buy?

What makes them buy an additional product? What makes them come back?

People. Sales people. Account managers. Direct sales people. Indirect sales people. People, people, people.

Can we complete the sales process for these perfectly positioned and branded goods entirely online? More importantly if we do, can we get the repeat business and the upsell so necessary for the profit margins needed?

The answer to that is yes we can, in certain markets, such as FMCG. However, outside of these markets, where margins are high, and in particular the luxury market, there is a person behind the online transaction. There is an account manager representing the brand to the online boutique, ensuring their goods are placed above the competitors. On their own website there is someone completing the link between sales and profit targets. Someone responsible, online or in person for ensuring goods are sold.

So, even online, Sales People are key. Probably the word sales does not appear in their title, **a simpler recognition would be people with targets or quotas are key.**

People, reward, targets and quotas

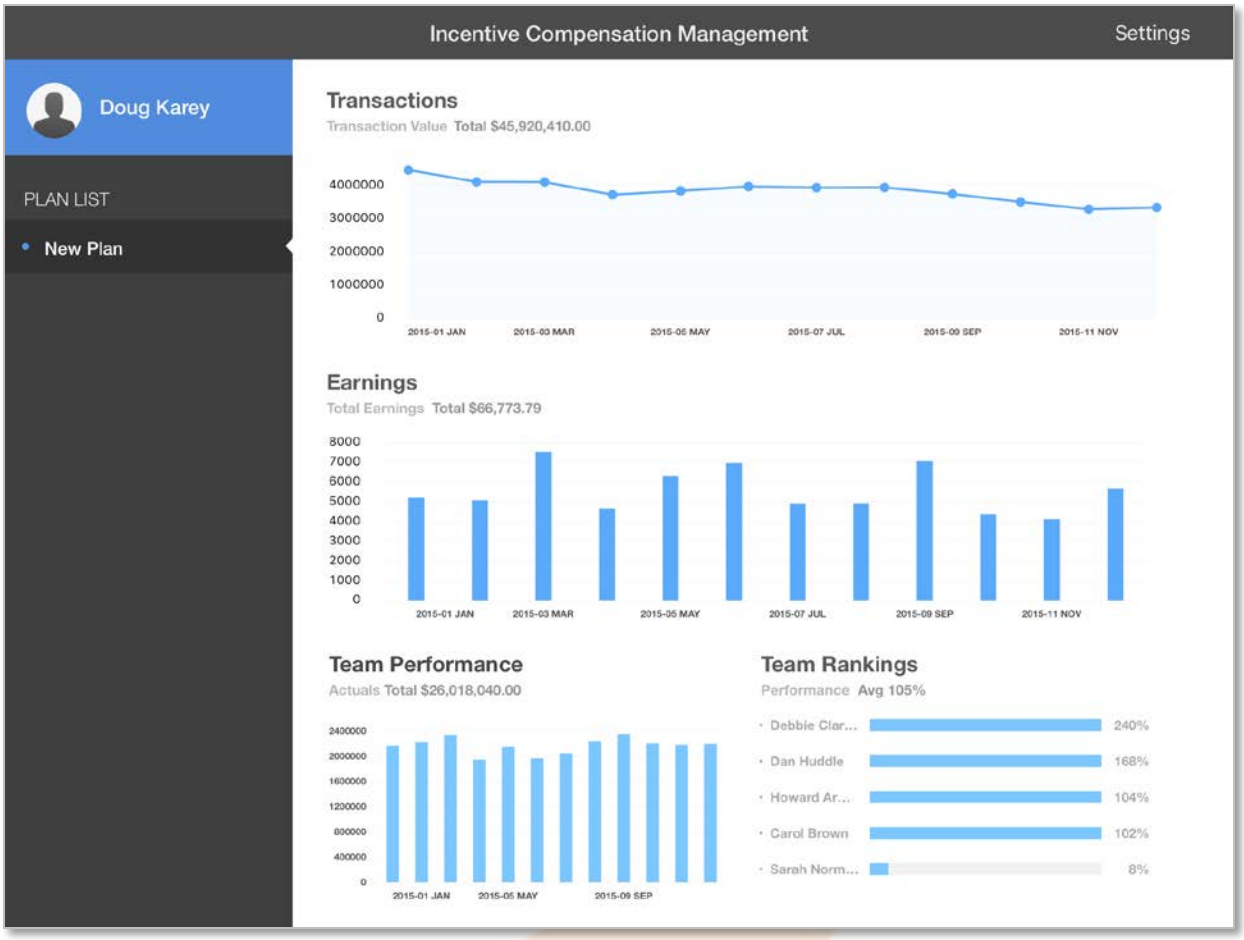
We have established that people who carry quotas or targets remain key, particularly so where stores are the place of purchase, but in many market sectors, even in an online transaction.

Before we focus on how we can help the sales people achieve their targets, it's worth noting a few other things that have an impact and are factors for management in retail organisations:

- In retail the support organisation from cashiers to store managers have a profound effect on the performance of front line sales reps
- Results for sales reps are tied to the store's performance, which generally is bonused to all those who function in the store
- The store itself is an entity to measure results
- There is a growing appetite for analysing from the industry and business management
- This ever more complex, multi-channel world, makes our key customer facing (either online or in person) personnel even more crucial
- Associating online sales and instore pickup to the proper channel
- The impact of additional routes to market and lines of communication (i.e. social media) means that, managing this is more complex and difficult to monitor i.e. in the concession, main shops, and online, online boutiques
- Compounding this, in social media age, every interaction must be faultless

Focusing on the people with the quotas and targets now, how can we influence them? how do we ensure they perform? How do we get them to help all the other stuff? How do you get them to sell more? How do you get them to hit targets?

Many organisations start with team based bonus pools which are determined by the sales revenue at the store level.



This allows for those who aren't sales reps to have a portion of the profit generated by those who do sell, people for example, who fold the clothing, who work the registers, and support in all other ways. It also means that the associate managers and store managers who run the day to day operations and effectively are the head sales people. Traditionally the manager level group is bonused both on the store performance and their individual sales (although this is usually weighted more heavily on the store itself).

Then you get to the actual sales people, customer relationship managers or whatever their title. This group receive a percent of revenue associated to the sales they have generated, and one that is associated to stores performance.
In cases where a rep goes between stores, most companies will weigh this by the store the rep is selling in along with time at a specific store.

There is a very strong link between the achievement of corporate sales targets and the achievement of these sales people. In order to make sure these targets are met, performance must be monitored and analysed and the reward strategy has to be linked to the corporate strategy.

Linking reward to Corporate Strategy

When building the rewards by which we compensate in retail there are two considerations, revenue and gross margin. Even when retail organisations are in growth mode, it is imperative to understand the bottom line. While most organisations can point to the specifics of their comp plans top line bonus, they often have problems associating bottom line and most profitable lines. The gross margin traditionally gets deducted out of the amount to apply revenue rate against. Or in some cases, there may be multiple types of margin factors.

We must also ensure that we understand the unintended consequences of pay for performance or reward based pay for example when a simple spiff on a mattress line causes an imbalance in profit and direction. We must focus on driving the right behaviours not just revenue. To do that we have to have a way of monitoring performance objectives and numbers.

A disengaged workforce disrupts business performance. Where a lack of motivation, communication and transparency prevail, disengagement can become contagious. Low morale and dissatisfaction drive attrition adding significant cost to the bottom line. Where engagement suffers performance suffocates. From our experience we have found that that lack of engagement can cause:

- Adverse sales, customer service or satisfaction
- Lack of focus and declining productivity
- Misaligned activities, goals and priorities

Key to success in this evolving digital era is a reward process and plan that fully engages the sales people. Of not, key aspects we have found critical are to:

Optimise the blend of incentives, rewards, recognition or gamification
- Align activities, goals and priorities
- Drive employee behaviour along the course you have charted.

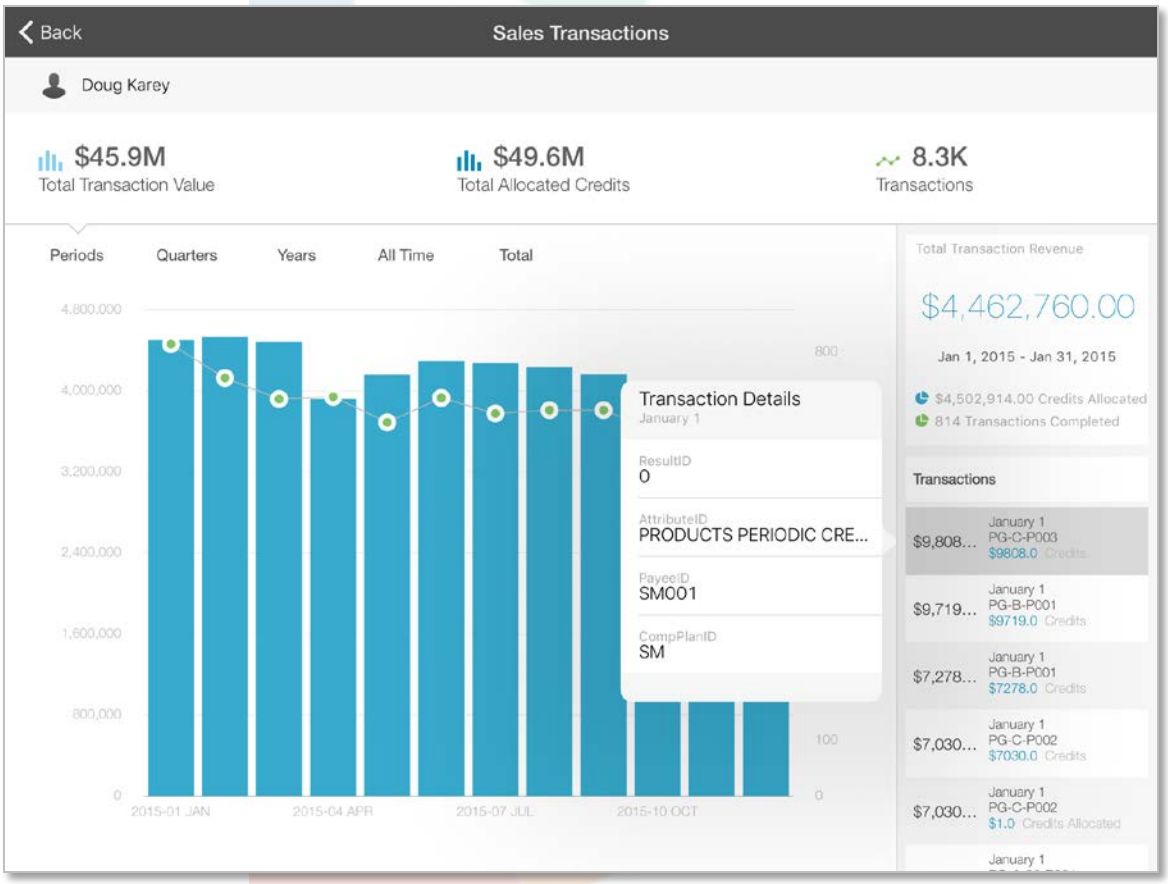
"Sophisticated compensation plans are the key to driving both customer service and sales."

—Stacey Jones, Vice President HR Operations, Destination XL Group

Leveraging the power of information, analysis and reducing the costs

Small operating margins in the retail sector mean that driving business strategy to optimise resources is imperative. People are a resource that have the power to not only increase your top line through sales, but also help reduce costs through incentive management, assuming we have worked on a plan that engages, motivates and rewards the sales people, what else can we gain from this.

The key to further benefit is not though the plan itself rather though the administration of that plan, the automation of changes and the management and analysis of the information that comes out.



In laymen's terms, if we collate these plans on an automated system, provided they are formed with the right intelligence and objectives there are further benefits to the company above and beyond the increased sales and motivation gained through an effective reward strategy and plans.

Through technology it is possible for everyone to understand how they are performing and what they are getting paid. It is possible to remove or minimise disputes arising from pay plans and provide audited records of such information.

Of key importance, through the information collective, it gives management the capability to deliver valuable feedback; change plans easily and advises to their employees to drive more sales. No overlooking the back-office functions, the accuracy gained through automation saves 3-8% of total reward budget through removing overpayments. Savings are also significant in the removal of shadow accounting and reduction in administration.

Looking to the future, with the power of analytics and AI we can see, when an automated reward system is in place, tackling the biggest issue – accurate forecasting. Our experience, in the simplest form is that targets become a forecast. This is probably why on average forecasts are on average 15% up accurate.

We see the information taken from ICM systems on actual performance against targets, combined with predictive analytics leading to a much more realistic forecast.
More importantly the ICM system allows the coalescing of data to show specifics around how the individual is paid. This allows them to transfer their efforts into understandable results that they can see in a report. Conversely management can see who needs help, who to leave alone, and whom to fire.

Lastly, these tools give the finance group the data points that allow them to determine if the existing plan is giving them the results and cost of sales they desire.

Summary

Retail has changed dramatically, but people remain key to growth and performance.

Rewarding these people in a way that directly links to corporate objectives, whilst still motivating, remains a challenge.

Sales people need to be able to see where they are against these plans, which in turn need to be changed frequently.

By having an ICM system in place, organisations can track where their current plan is against expectations; allowing them to make the needed changes to emphasize their own corporate strategy. Further, these systems allow for the transparency that all sales people are looking for in their pay packets.

Lanshore LLC

Lanshore is a reseller, implementer and managed service provider of Sales Performance management solutions. We have offices in the UK, US and Costa Rica that allow us to provide overlapping coverage models for our customers.

More importantly we believe in transparency and lowering the total costs for our customers. We do this by blending our expert service center in Costa Rica with our onshore resources in the UK and US. Our transparency ensures that our customers know they got the best service for the best price.

Many customers are new to the SPM market and often stumble. Our model looks to not only help in selecting software but making sure the change management is in place to guide your team into the SPM system world. By focusing on customer resources and requirements we are able to put together an implementation and management story that directs end state goals and success.

Contact us at
info@lanshore.com