



COMPENSATION

Programs that
Drive Results

from sessions held at TEC 2015



Physical security integrators face a delicate balance in developing compensation programs that adequately motivate and retain high performing sales representatives. As traditional methods begin to shift towards team selling, hybrid sales roles, and managed services model (RMR), business owners will need to adjust compensation programs to continually attract top talent who could otherwise be increasing competitor sales. Produced by the PSA Sales & Marketing Committee at TEC 2015, this panel discussion featured PSA owners as subject matter experts offering insights on how to drive results without driving away your best sales representatives. Panel recommendations are shared with leading topics from this session.

SPEAKERS

Panel discussion was moderated by Paul Boucherle from Matterhorn Consulting, LLC. The three panelists included Eric Yunag of Dakota Security Systems, Larry Simmons from Tech Systems, Inc., and Steve Piechota from Netronix Integration.

Compensation for a Physical Security Sales Representative/ Panel Recommendations:

1. Tie the compensation to the company's strategic growth plan. In order for this method to prove effective, compensation must align closely to the company's growth plan, otherwise this method will fail. A suggested base salary should be between 60-80% of the annual revenue of the sales representative's goal. This should be a sliding scale on commission, however, nothing below 25% margin (quotas should be set and gross margin should be discussed). Once the representative meets the quota, then an increase in commission for the remainder of the year is a suggested option.
2. Do not cap the commission, let the sales representative flourish. Offer a new customer incentive bonus – if they get a new client that spends a certain amount, they get a cash bonus; however, the commission goes down a bit. This is a great way to get sales representative to focus on large enterprise accounts.
3. Base compensation on anticipated gross margin with the option to adjust based on errors.

Incentive Programs/ Panel Recommendations:

4. Align incentive programs to company goals - set a common goal for the entire organization. Do not offer commission on equipment. All commission is based on the RMR income, which enables you to sell the equipment at a lower mark-up.
5. Target sales representative incentives toward enterprise accounts in which new markets or vertical client base can be tied. Pay sales representatives to sell what you want. Bring all renewal of contracts into the office. 120 days out, office staff

reviews all contracts, then make adjustments and present to clients 60 days out. Compensation should be shared with everyone.

Determining Base Salary/ Panel Recommendations:

1. Keep the base salary low and keep your sales representatives hungry for more. Hungry is good.
2. Base salary will vary based on particular regions. Study your area – be flexible and competitive in your area. Adjust base salary to individual experience, credentials, and background. If a sales representative enhances credentials, adjust compensation.

Guaranteed Compensation Versus Bonus and Commission/ Panel Recommendations:

1. 80/20 rule: 80% Commission & Bonus / 20% Salary
2. Top performers should be offered a 20-25% base salary and 75-80% commission and bonus.

CONCLUSIONS

Business owners need to adjust compensation programs that continually attract top talent who could otherwise be increasing competitor sales. Always align your compensation with your overall strategy and begin with the end in mind. Remember, that the team wins not individuals. Share your vision with employees in the company. Be slow to hire and quick to fire – hire the right team. Drive results without driving away top sales representatives.