

A business management system can be an effective tool for managing sales commission system which should incentivise staff to sell the goods you want at the most profitable prices, advises **Andrew Maszyr**, development director, Cromwell Business Systems.

Keeping staff motivated — handling commission

Sales commission is one of the many thorny issues a retailer has to consider as a means of rewarding staff who do well. Tricky because the retailer has to weigh up the advantages of sales commission versus other forms of remuneration. And, if commissions are used to incentivise store staff, he has to decide on what basis the employee should be rewarded and how best to manage the process.

While commission offers sales staff an opportunity to supplement their earnings – sometimes considerably – they are also subject to fluctuations depending on their ability to sell product and on the ups and downs of the economy.

It's not impossible to manage a basic commission scheme in a spreadsheet. However, it's much more effective to use a store management system such as Cromwell's Open-Retail as there are multiple permutations that will incentivise and inform your staff as well as ensuring they sell the goods you want them to sell at the most profitable prices.

The options

At its simplest, a basic commission scheme is based on a percentage of each sale, rental or maintenance transaction. Open-Retail controls whether commission is calculated as a percentage of the gross retail price or net retail price. As in any IT system worth its salt,

there are numerous permutations and refinements to get you thinking. For instance, commission can be paid on brand new products only, or on different types of products, eg those from specific manufacturers; or on cash sales only, not rentals or maintenance. Decisions can also be made on whether you reward individual sales staff or whether the commission is paid on a pool basis (or a combination of the two). Open-Retail also allows you to set up varying commission rates for different categories of product, including surplus stock or one-off items.

In the case of rentals, you can assign commission on any variable of new customer, changeover customer or renewal customer. You can also withdraw commission if a customer returns the goods and receives a refund. The number of days during which you have the power to take back the commission can also be specified.

How does it work?

Then, Open-Retail gives you the option of setting different rates of commission by the profits made on each sale. For instance, you can pay 1% on profits up to 15%; 1.5% on profits up to 25%, and 2% on profits up to 40%. You can also assign margin bands – that is, specify that a product sold to a customer at a discounted rate does not attract a full commission percentage because

profits were reduced on the deal. Equally, should a small miracle occur and the product sell for more than its normal price, you can reward the salesperson or the team with a special 110% of their usual commission percentage.

With this level of flexibility and control in your IT system you have considerable power to direct sales staff to sell the right products at the right prices; give them an instant view on their sales performance and remuneration; and motivate them to give the best possible performance. You can also obtain an accurate picture at any time of which of your sales team is really the best salesperson. And that is the person who makes you the most profit, rather than the one that shifts the most volume of stock.

With commission-related reports, managers can see at a glance how store staff are performing against targets, and store staff can see how much commission they are clocking up on a daily basis if they wish.

John Digwa, founder and director of PRC Hi-Fi & Video, is more than pleased with the flexibility in handling commission provided by his Open-Retail system commenting:

“My staff and I now have commission information at our fingertips. At the end of the period my staff commission reports are compiled automatically - so no more sifting through reams of paper to calculate the figures manually.” ■

For further information contact Sonu Kundi at skundi@cromwells.co.uk or ring 01353 650900