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PAYING FOR QUALITY SALES

The new focus on sales quality and the selling process is spawning new varieties of sales compensation programs to support this focus.

by R. Bradley Hill and Paul Draeger

After years of frustration with poor-quality products and services, customers are taking the reins from their vendors and defining quality standards on their own. Changes in customer needs, customer demands, and vendor alternatives are producing fundamental change in the current sales environment. Many companies are responding with a focus on sales quality and the selling process and with new varieties of sales compensation programs to support this focus.

Changes in the Market

Several changes are shaping the way companies will do business in the future and should be considered in defining the sales process and developing compensation programs to support that process.

□ *Customers are discovering quality through longer-term relationships, or partnerships, with a smaller number of key vendors. They are looking to their vendors to help define their needs and then translate those needs into successful products or services. Customer loyalty will no longer be automatic; it will be continuously reearned through interest in and thoughtful responses to customer needs. The advantage will be to the vendors who have taken time to understand the customer.*

R. Bradley Hill is a senior consultant with Hay Management Consultants in Chicago. He specializes in the design of variable pay programs for manufacturing and service organizations. Paul Draeger is a human resources generalist, and has also served as compensation manager at Walt Disney World in Orlando, Florida.

□ *Customer needs are becoming more sophisticated. In addition, the quality standards against which vendors are measured are becoming more ambitious. Customers are looking for flexibility, commitment, and solutions, not slick presentations from pretty faces overworking slogans such as "We care," "We want your business," "You're important to us," "We're committed to quality." Customers want proof. Buzzwords in vendor presentations may come and go, but customers will never be less demanding than they were in the past.*

□ *Smaller and nimbler, niche competitors have intensified the competitive market. The information explosion has enabled niche vendors to cull out markets that will be receptive to different or enhanced services. It does not take much to keep these companies in business, and, in the aggregate, they can command a significant share of the market.*

□ *Quality is often defined in terms of shorter response times. These are response times between order and product delivery, between question and response, between problem and solution. Responses crafted from a lengthy, approval-ridden, bureaucratic process will arrive too late to be useful.*

Responses to Changes in the Market

In response to these changes, companies must rethink the way they sell. Modifying the sales process can be a painful endeavor, but taking one of the following prescriptions may improve the long-term health of the organization:

Reduce the number of accounts that sales positions cover and provide more relationship-oriented selling. In the past, more accounts have been associated with more revenue, which has been associated with more pay for the sales representative. Sales glory has been bestowed on those who bring in new accounts, not on those who provide outstanding service to existing accounts.

Fewer accounts will mean more time spent with each account, learning more about customer needs, and developing a mutual understanding that should translate into greater loyalty and flexibility on the part of the vendor and the customer.

Reduce the number of levels between sales representatives and top management to move decision making closer to the customer and shorten response times. The customer holds many of the

Companies that use incentives should focus on rewarding improvements to the sales process and supporting an environment of teamwork.

answers to tomorrow's problems. Vendors must value and capitalize on this important resource by creating a flat structure that permits a swift flow of information between the company and its customers.

This communication should not be limited to vertical lines. Sales representatives must be encouraged to communicate directly with production, research and development, engineering, finance—any source that can contribute to a customer solution.

Establish measures of sales quality. Companies have become quite good at measuring product quality, but little has been done to measure the quality of the selling activity.

- Is the sales representative knowledgeable about the product?
- Is the sales representative excited about the product?
- Does the sales representative understand the customer and its business?

- Does the sales representative relate to the customer's situation?
- Does the customer understand all of the product's benefits?

These are but a few of the questions that may help a vendor to measure quality and fine tune its selling activity to minimize the variability in the responses to the questions.

Focus on improving the "sales process," not on improving individual performance. Management philosopher Dr. W. Edwards Deming frequently warned companies that individual ratings or incentives tended to suboptimize the overall system. As such, companies that use incentives should proceed with caution, focusing on rewarding improvements to the system (i.e., the sales process) and supporting an environment of teamwork.

The sales representative is the most competitive animal in the corporation. Harnessing this competitive energy and focusing it on how selling activities can be improved to beat the competition will provide a decided advantage. Turning this energy against the company in the form of sales contests, commission structures, and bonus plans can compromise the success of the overall sales effort by pitting employee against employee. Employees must behave in the manner that optimizes the company's position, not their individual position.

Involve the customer in performance management. In the past, the primary way to appraise the performance of the sales representative was to look at the numbers. Good sales volume equals good performance. This method does little to identify why the performance is good or how to improve poor performance. In short, the sales process is rarely improved by the sales force performance management system. Most vendors have not sought the input of the customer—the most important determinant of success.

In a word, companies must respond to their customers' needs by defining and consistently improving a sales "process."

process (pros'es), n. 1. a systematic series of actions directed to some end.

The sales process is not a static formula for success but a series of activities, communication networks, and employee involvement systems that

efficiently digest evolving customer needs and enable the company to quickly respond. It is the effectiveness of this process that will drive the company's ability to meet customer demands and subsequently generate higher sales levels.

Future of Sales Compensation

Anyone who read Ed Brennan's (chief executive officer of Sears, Roebuck and Co.) open letter to Sears customers in the *Wall Street Journal* on June 25, 1992, understands the potential damage that

Without training, development, or the security offered through salary, the sales representative feels no commitment from the company and little loyalty to it.

incentive compensation can inflict on the reputation and integrity of an organization.

Brennan was responding to allegations that the Sears automotive service advisers, acting under a commission sales plan, were selling customers parts and services that they did not need. To "ensure against such things happening in the future," Brennan wrote, Sears "eliminated incentive compensation" and "replaced these practices with a new non-commission program" with rewards based on customer satisfaction. Mr. Brennan recognized that the sales commission plan was creating behavior that harmed the customer and the company in the long term.

Sears is not the only company to look for commission plan alternatives. Citing customer distrust, aggressive behavior, and high turnover, Highland Superstores placed its sales representatives on full salary and initiated an advertising campaign to let customers know of the change. The Saturn division of General Motors feels commissions undermine teamwork and customer service. Saturn avoids the high-pressure antics of many dealers by paying salary only.

Many commission plans have been established to replace effective sales management and a disciplined sales process. A familiar scenario plays out like this: A company has no commitment to training sales representatives or developing qualified sales management. The company

hires sales representatives into its "sink or swim" environment and pays them on straight commission. The benefit of this scheme is that those sales representatives who fail do not cost the company much and those who succeed make a good living and provide the company with a handsome return. The problem with this scenario is that:

1. *The sales representatives are left to their own devices to make sales.* Poor sales efforts can damage the company's reputation. Good sales efforts are perceived to be the ones with the highest sales yield, not necessarily the ones that most improve the selling process and contribute to the long-term success of the company. Short-term success built on giving products away, making unrealistic promises, or over-selling will hurt the company in the future.
2. *The sales representatives do not have "the big picture."* The representatives are concerned with what is best for them, not what is best for the company. The sales representatives are not part of the corporate culture and are marketing the company only to the extent that it benefits them personally.
3. *The sales representatives feel little obligation to the company.* Without training, development, or the security offered through salary, the sales representative feels no commitment on the part of the company and in turn offers little loyalty back to the company. Turnover is high and important customer relationships are often left hanging while the company recruits its next "swimmer."

The future of sales compensation is not necessarily the elimination of commissions but,

The future of sales compensation is the elimination of commissions that serve as a replacement for a quality sales process.

rather, the elimination of commissions that serve as a replacement for a quality sales process. At Nordstrom, a Seattle-based department store chain, commissions are used to support a quality sales process. Nordstrom provides its sales representatives with extensive training and encourages

each representative to develop long-term relationships with its clients. Clients are likely to receive birthday greetings, handwritten thank-you notes and advanced notification of sales or new merchandise. Nordstrom also has a policy of strictly promoting from within and considers many non-revenue-generating activities in determining promotability.

The Walt Disney Company seldom uses incentive compensation to motivate its work force. One notable exception is the Vacation Guide position (sales representative) in the Disney Vacation Club (see the case study later in this article). Like Nordstrom, Disney has a very structured sales process

At Disney, sales incentives are provided to those who exceed a base level of sales while maintaining exceptional guest quality ratings.

(see case study) and a rigorous training program for its Vacation Guides. Unlike Nordstrom, Disney offers a significant base salary level to compensate for expected sales levels, and incentive opportunities for exceeding expected sales levels while maintaining excellent guest satisfaction ratings.

Both Walt Disney and Nordstrom have given a significant amount of thought to how the sales process should be structured. The sales incentive plan represents a small part of their overall formulas for success. Sales incentives provide compensation opportunity to those who excel in employing their quality sales processes.

Compensation Plan Must Support the Sales Process

Future sales success will not rely as much on the innate selling skills of the salesforce as on the selling process that is developed and maintained. Developing a quality sales process may involve some combination of the following activities:

- Reducing the number of accounts that sales positions cover and providing relationship-oriented selling;
- Reducing the number of levels between sales representatives and top management;
- Establishing measures of sales quality;

- Focusing on constantly improving the sales process; and
- Involving the customer in the sales force performance management system.

The pay plan must support the sales process and the long-term objectives of the company and the customer.

Disney Vacation Club: Case Study

The Walt Disney Company views each guest as a lifetime client. Each positive Disney experience in a theme park, in a movie theater, or at the ice skating rink, translates into a dozen additional retail possibilities. A major challenge to Disney is to minimize the variability in the “Disney experience.” As such, there should be only one way to sell Disney—the Disney way.

In developing the Disney Vacation Club (Disney’s very successful venture into vacation ownership), the sales process received a tremendous amount of attention, as compared to the attention this process receives in many other sales venues within Disney. The reason for the degree of scrutiny is simple. The related industry of time-share had such a tarnished reputation, with legends of pressure sales tactics and deceptive sales practices, that Disney was concerned with how the sales process might affect its lifetime clients, its guests.

Disney’s focus was to structure the sales process to such an extent as to preclude a “non-Disney” show by one of its Vacation Guides. Although you can largely script the monologue for the Jungle Cruise host, scripting an experience between a sales person and a client is all but impossible. Disney succeeded in developing a quality sales experience for its guests through using an extremely thorough selection process for its Vacation Guides and providing a high level of training and a highly structured sales process.

Disney’s Quality-Based Pay. Disney reviewed the issue of individual sales incentives from every perspective. Although it was not after the “sales gunslinger,” it certainly wanted to recognize individual performance within its very structured sales process. No matter how structured the sales process is, there will be variations. These variations are necessary to address each guest’s unique needs and questions.

Disney’s answer to the dilemma of individual incentives and its potentially dysfunctional

results was to create a pay mix with a significant base salary component and to consider this base salary as compensation for a base level of sales production. Sales incentives are provided to those who exceed this base level of sales while maintaining exceptional guest quality ratings. These ratings are determined by a survey of each guest going through the sales process.

Disney's keys to a quality sales process are:

- A very structured sales process;
- A very thorough selection process and related training;
- Pay for performance (over a baseline level assumed as a group standard); and
- Modifying this sales incentive payout with customer/guest input on the quality of the guest experience going through the sales process.

Disney's Sales Process. Prior to greeting the first guest, or beginning construction of the Disney Vacation Club pavilion, the Disney Development Company crafted a sales process that "guaranteed" guest satisfaction for Disney Vacation Club prospects.

1. *Prearrival piece.* Guests who have registered to stay at Disney properties in Lake Buena Vista Village in Orlando, Florida, receive introductory information on the Disney Vacation Club prior to their visit.
2. *Lobby kiosk/information booth.* In the lobbies of the Disney properties, a kiosk provides information on the Disney Vacation Club. Guests who would like to view the Disney Vacation Club theme resort—"Key West—Turn of the Century" (a la Hemingway)—may schedule an appointment at the kiosk or by phone. Each room has a child's game or toy introducing the Disney Vacation Club theme.
3. *Appointment confirmation.* Up to six families have confirmed appointments every hour. Appointments can be scheduled from 7:30 A.M. to 7:30 P.M.
4. *Pick up guests at hotel.* The "theming of the process" begins when guests are picked up in a replica rag top Maserati and taken to the Disney Vacation Club pavilion. Guests recognize immediately that this experience is going to be different from the van pickup typically associated with timeshares sales. Disney has six to

eight vehicles. Drivers' dress supports the theme (suit top/Bermuda shorts).

5. *Guest check-in.* Guests pull up to a porte-cochere at the Disney Vacation Club pavilion with topiary gardens out front. They are given a brief opportunity to get acquainted with the Vacation Guide over coffee/punch. At no time is the guest placed in a waiting area or left unaccompanied. The six families are divided into three groups.
6. *Day-care drop-off.* Children are dropped off at a day-care facility within the pavilion, where they will enjoy a truly Disney experience. A low sitter-to-child ratio ensures a positive experience for children.
7. *Disney video.* The guest is escorted into a small room themed in "Key West—Turn of the Century." Daylight falls to darkness in the room, and a meteor shower flows from the back of the room to an armoire in the front of the room. The armoire opens to show a video piece performed by Walt Disney. In this rare footage,

In the Disney Vacation Club presentation, no guest is required to wait longer than 10 minutes at any point.

Walt describes his vision of the future. A subsequent video piece features Michael Eisner discussing the Disney Vacation Club and how it fits into Walt's vision. Disney characters elaborate on and strengthen the message.

At the end of the video presentation, guests are given an opportunity to depart. If they choose to leave, they are given a complimentary copy of the Disney video.

8. *Video walk-through of resort.* Interested guests are escorted into a second room with a large-scale model of the resort as the centerpiece and two separate video viewing areas. After a few moments to look over the model, one group of visitors starts a video tour of the property. (The video tour prevents prospects from interfering with the Disney Vacation Club member experience). The other group views a video that discusses the economic value of Disney Vacation Club membership and explains the purchase

arrangement and typical purchase price. Each group then switches and views the other video.

9. *Actual walk through a model villa.* Guests who remain interested after the video walk-through of the resort are taken on a tour of a model villa by the Vacation Guide. Interaction with the Vacation Guide at this juncture is heavy, although the tour is mostly scripted.
10. *Vacation Guide meeting.* Guests return with the Vacation Guide to a semiprivate office. The office looks out onto a lake and is set up to be open and comfortable. The Vacation Guide uses a standard flip chart presentation or a laser disk/TV monitor presentation. Both are pre-designed and cover all of the necessary details. Relying on the materials provided, the Vacation Guide responds to guest concerns and interests and attempts to close the sale. Couples may be provided time alone at this point as it is probably the first opportunity they will have to talk privately about what they have seen.
11. *Quality assurance review.* If the guest is interested in joining the club, a Quality Assurance Executive finalizes the sale by walking through each line of the contract to ensure full understanding of the commitment by the

guest. Total time in the buying office is estimated at 20 minutes.

12. *Family photo.* After meeting with the Vacation Guide, buyers and nonbuyers return to the day-care facility to pick up their children. Upon picking up the children, a quality family photo is taken against a Disney theme backdrop. (This 8 1/2" x 11" photo is mailed to the guest's home with a thank-you letter from a top Disney executive. A survey gauging the guest's satisfaction with the Disney Vacation Club sales experience accompanies the letter and photo.)
13. *Disney Vacation Club exit.* On the way out of the pavilion, guests visit an old-fashioned ice cream parlor for a final treat (four flavors of hand-dipped ice cream and two flavors of yogurt available). While queueing up for ice cream, guests have an opportunity to critique the selling process by completing a brief (10-question) guest satisfaction survey using a touch-screen monitor.

The entire presentation lasts a maximum of 90 minutes. No guest is required to wait longer than 10 minutes at any point. All this careful and thoughtful attention to the customer guarantees satisfaction for Disney Vacation Club prospects. ■