

Performance And Reward Management
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Lecture – 45

Rewarding Special Groups, rewarding directors and senior executives, sales and customer service staff, knowledge workers and manual workers (Contd.)

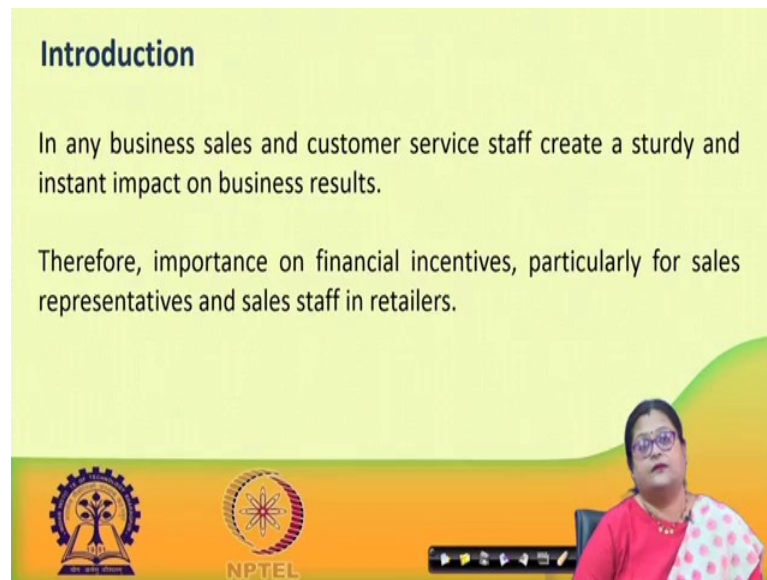
Welcome, to the course on Performance and Reward Management. We were discussing on the topic of Rewarding Special Groups, rewarding directors and senior executives, sales and customer service staff, knowledge workers and manual workers.

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Today, we are going to look into the concept of Rewarding Sales and Customer Service Staff's.

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Introduction

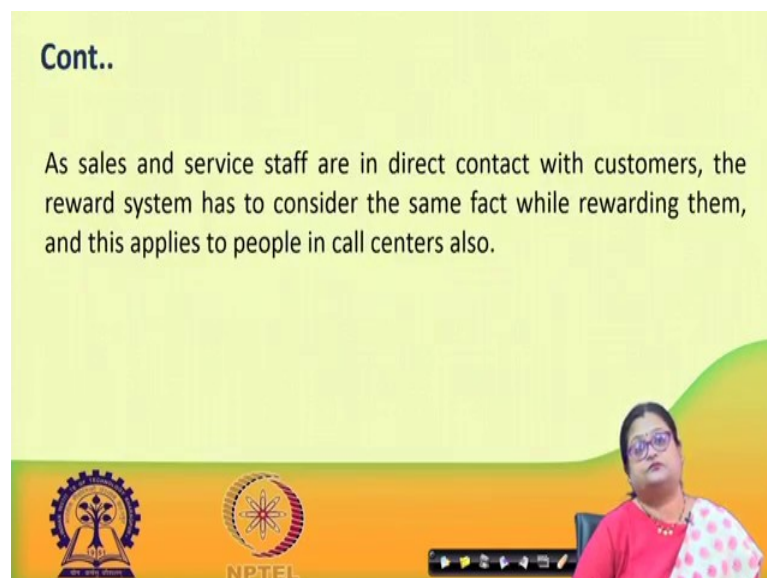
In any business sales and customer service staff create a sturdy and instant impact on business results.

Therefore, importance on financial incentives, particularly for sales representatives and sales staff in retailers.

In any business sales and customer service staffs are very important as they create an instant impact on business results. They are the people who are in the front end interaction with the customers; they are the first interface of the organization with the customers. So, they really have a very important and instant impact of the business results.

So, the importance of the financial incentives particularly for a salespeople and sales staff in retailers is a important area which needs to be looked into.

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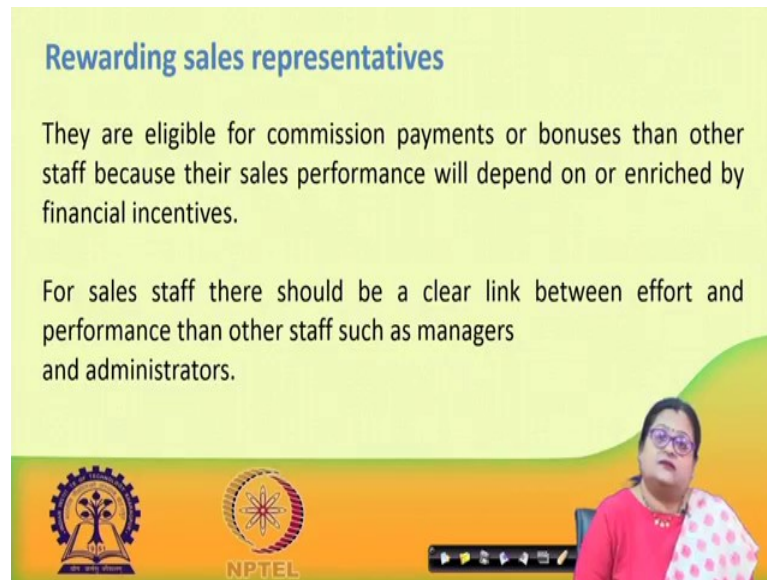


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As sales and service staff are in direct contact with customers, the reward system has to consider the same fact while rewarding them, and this applies to people in call centers also.

As we said like as they are in direct contact with the customers so, the reward system has to take into consideration that fact like they are the people who are in direct interaction with the customers while the reward is designed, and this applies to people in call centers also.

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Rewarding sales representatives

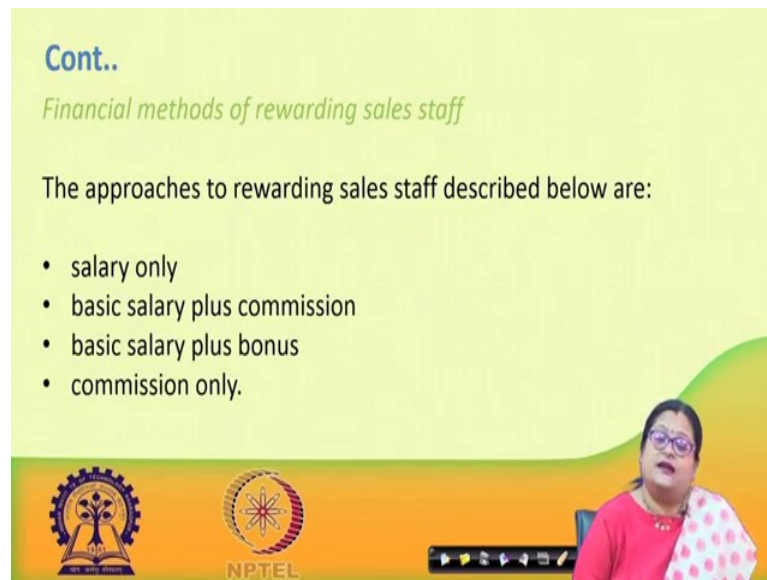
They are eligible for commission payments or bonuses than other staff because their sales performance will depend on or enriched by financial incentives.

For sales staff there should be a clear link between effort and performance than other staff such as managers and administrators.

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We will now discuss about rewarding sales representatives. Sales representatives are eligible for commission payments or bonuses than other staff because their sales performance will depend on or get enriched by financial incentives. For sales staff there should be a clear link between effort and performance than other staffs such as managers and administrators.

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Financial methods of rewarding sales staff

The approaches to rewarding sales staff described below are:

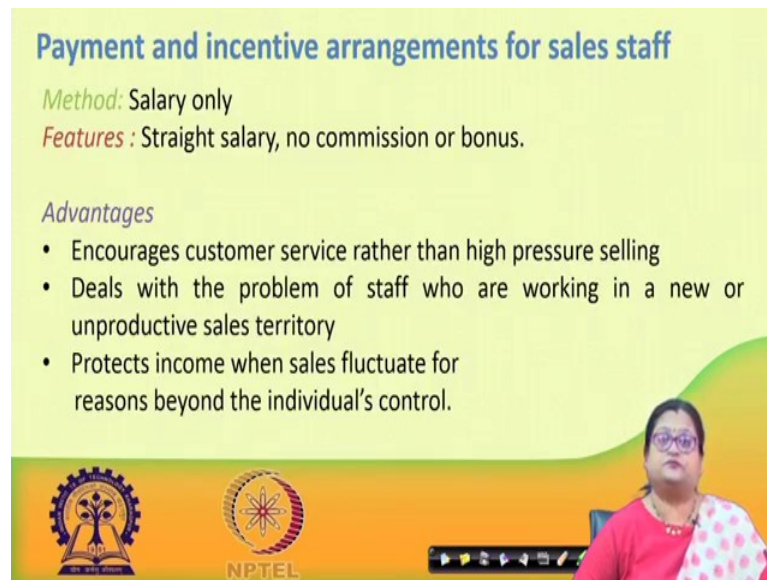
- salary only
- basic salary plus commission
- basic salary plus bonus
- commission only.

The slide also features the logos of IIT Bombay and NPTEL, and a small inset image of a woman speaking.

Now, what are the financial methods for rewarding sales staff? The approaches for rewarding sales staff can be described as follows like it can be salary only, basic salary plus commission, basic salary plus bonus and commission only.

The sales staff are eligible for commission payments or bonuses than other staff because we have told like their service or the sales that they are making are directly affected by the financial incentives. So, while designing when we are talking of these points of salary only, basic salary plus commission, basic salary plus bonus commission only we need to understand how commission is going to affect, create a differential effect on their performance.

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Payment and incentive arrangements for sales staff

Method: Salary only
Features: Straight salary, no commission or bonus.

Advantages

- Encourages customer service rather than high pressure selling
- Deals with the problem of staff who are working in a new or unproductive sales territory
- Protects income when sales fluctuate for reasons beyond the individual's control.

The slide features a green and yellow background. At the bottom, there are logos for IIT Bombay and NPTEL, along with a small video feed of a woman in a red top and glasses.

We will now describe each of them separately; each of the methods separately. First we will discuss about salary only. In salary only the feature is a straight salary no commission or bonus. The advantages are: it encourages customer service rather than high pressure selling. So, if we understand salary is linked with, the basic salary is linked with the commission for a selling then what happens people will be more interested for selling the product by whatever means as possible without looking into the service that they are rendering to the customers. So, and many unethical ways may also be taken up.

So, the advantage of the salary only concept is it encourages customer service rather than high pressure selling. It deals with the problem of staff who are working in a new or unproductive sales territory. So, in some areas may be getting customers is really very difficult, people may not be that much interested, infrastructure may not be there. So, it deals with the problem of those staffs who are working in a new or unproductive sales territory.

They protects income when sales fluctuates for reasons which are beyond the individual's control. So, it gives an income protection for people when the sales fluctuate. Sales may fluctuate as I told due to various reasons may be some resource is not there, that there has been some problem in transportation and or the suddenly the taste of people have changed, they are becoming more interested for other things.

So, many things can affect the sales and it is due to which it may fluctuate which is beyond the individual sales person's control. So, in those situations this salary only type of method helps in the income protection of people when the sales are fluctuating.

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Disadvantages

- No direct motivation through money
- May attract underachieving people who are subsidized by high achievers
- Increases fixed costs of sales because pay costs are not flexed with sales results.

Now, what are the disadvantages. So, the disadvantages are there is no direct motivation through money because there is no direct motivation through money people will not get like interested to sell more units or to reach more of the customers because they know whether I make an effort to sell or not, my salary is guaranteed I will get that salary. So, why should I try more to gain more customers or to give better services.

So, second is it may attract underachieving people who are subsidized by high achievers. So, they because there is no point of difference you cannot the way of differentiating between high achievers and low achievers. So, it may attract some under achievers also and it is somewhere the sales get balanced by what the high achievers are like bringing in the sales. So, it leads to increase fixed costs of sales because the pay costs are not flexed with sales results.

So, for that reason because pay costs are not flexed with sales results, the fixed cost of sales may increase because whether a person is able to sell or not to sell whether the person makes a better sell or not the cost of sales is same because the pay costs are same.

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When Appropriate

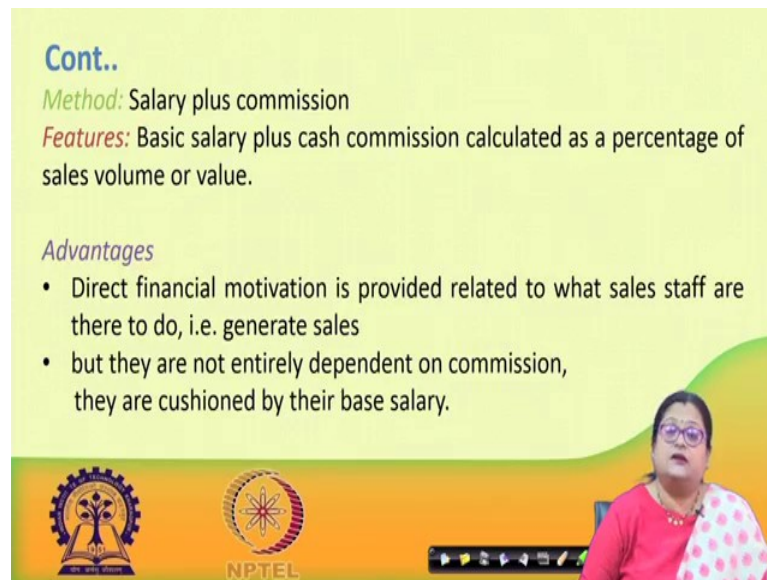
- When representing the company is more important than direct selling
- Staff have little influence on sales volume (they may simply be 'order takers')
- Customer service is all-important.

IIT Bombay NPTEL

Now, we have to find out in which situation this is appropriate. So, these are more appropriate in situation is when representing the company is more important than direct selling when the staffs have less influence on the direct sales volume like they are mere order takers and the customer service is all important. So, what nature of service they are providing to the customers, that is important.

So, in those cases the, it does not like take into it is not very necessary like the how many units you have sold. Try to think of a job in which this kind of salary is appropriate for a salesperson.

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Cont..
Method: Salary plus commission
Features: Basic salary plus cash commission calculated as a percentage of sales volume or value.

Advantages

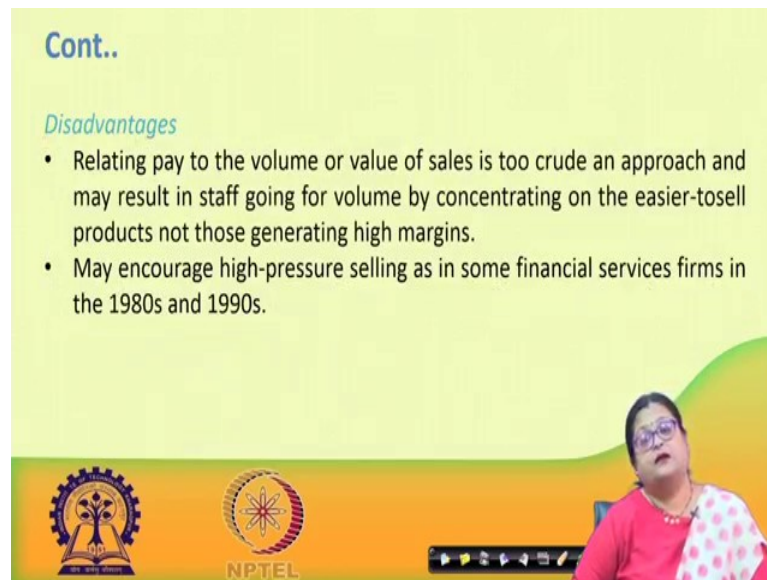
- Direct financial motivation is provided related to what sales staff are there to do, i.e. generate sales
- but they are not entirely dependent on commission, they are cushioned by their base salary.

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Next we will discuss about salary plus commission. In this the method is basic salary plus cash commission calculated as a percentage of sales volume or value. Advantage of these are direct financial motivation is provided related to what the sales staffs are there to do that is to generate more sales, but they are not entirely dependent on commission because they are cushioned by their base salary.

So, the their sales fluctuation which are not dependent or which are not under the control of the individual person sales person are taken care of by the basic salary part which is fixed. This uncertainty is taken care of by the , basic salary part base salary part; so, which helps the people motivated again to generate more sales.

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Disadvantages

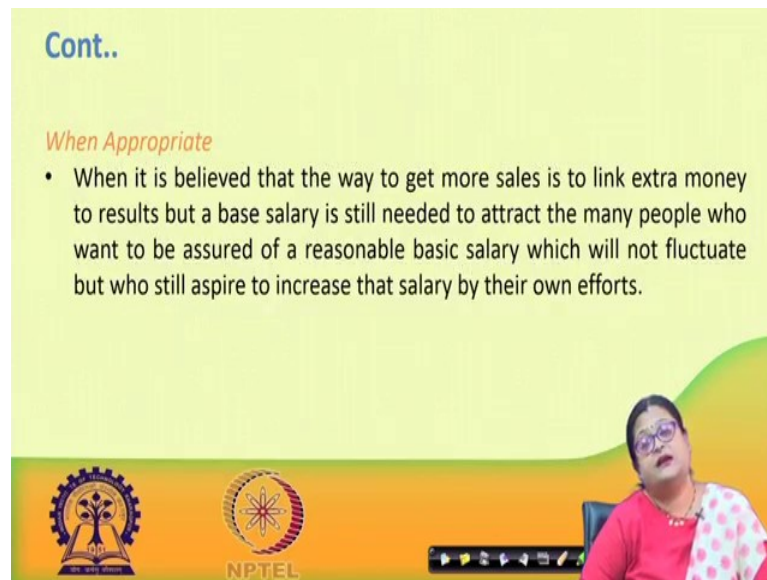
- Relating pay to the volume or value of sales is too crude an approach and may result in staff going for volume by concentrating on the easier-to-sell products not those generating high margins.
- May encourage high-pressure selling as in some financial services firms in the 1980s and 1990s.

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Now, what are again the disadvantages of this method? Disadvantages are relating pay to the volume or value of sales is too crude approach and may like, may motivate the staff in resulting going for volume by concentrating on easier to sell products and not to those generating high margins. So, they may try to like go for easy selling products which they can sell in huge volumes and because that volumes are mapped to the commission that they are getting they may not take an effort to sell a difficult product, but which gives you a high margin.

May encourage high-pressure selling as in some financial services firms in the 1980s and 90. So, like very high pressure on the customers may be emotional blackmailing. So, these kind of unethical practices may be taken in order to sell the products.

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When Appropriate

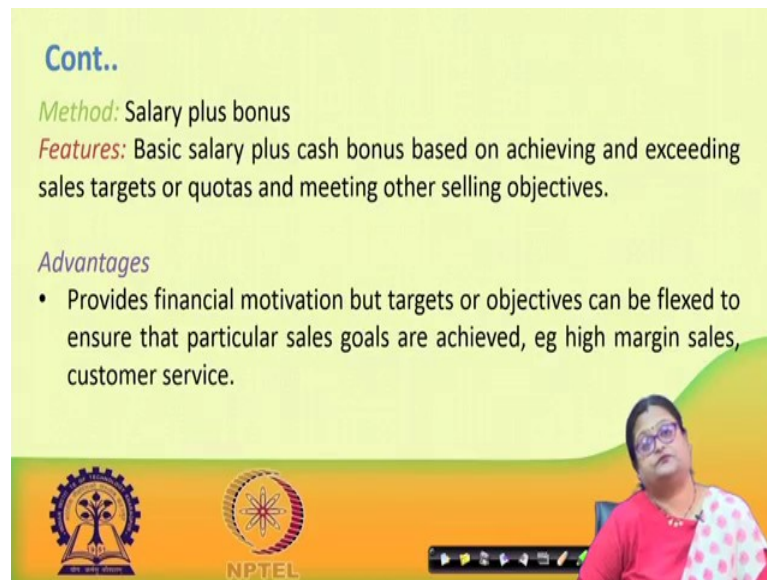
- When it is believed that the way to get more sales is to link extra money to results but a base salary is still needed to attract the many people who want to be assured of a reasonable basic salary which will not fluctuate but who still aspire to increase that salary by their own efforts.

It is appropriate at what time. So, it is appropriate when it is believed that the way to get more sales is to link extra money to results, but the best salary is still needed to attract many people who want to be assured of a reasonable salary which will not fluctuate, but will aspire to increase that salary by their own efforts.

So, this is necessary when like if we feel like though we are talking of commissions and maybe increasing sales volume related to commissions, but all employees maybe at a certain point of time want certain certainty at the end of the month like this is the salary. Because they also have their own financial planning like with a month's salary what they are going to do, in what are the expenses that they going to meet with that what, they do the budgeting also for themselves. So, if everything is very fluctuating in nature then people cannot plan ahead for the month or for the year.

So, at least certain part which is fixed will help them to give get the assurance like this is what I will get irrespective of whatever sales I make and then the commission part they will try to increase that salary in their own effort by getting more commissions which are related to the sales for you. So, this combination of a fixed path and a variable commission path may help to gain more people who will be interested to join this kind of job.

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Method: Salary plus bonus

Features: Basic salary plus cash bonus based on achieving and exceeding sales targets or quotas and meeting other selling objectives.

Advantages

- Provides financial motivation but targets or objectives can be flexed to ensure that particular sales goals are achieved, eg high margin sales, customer service.

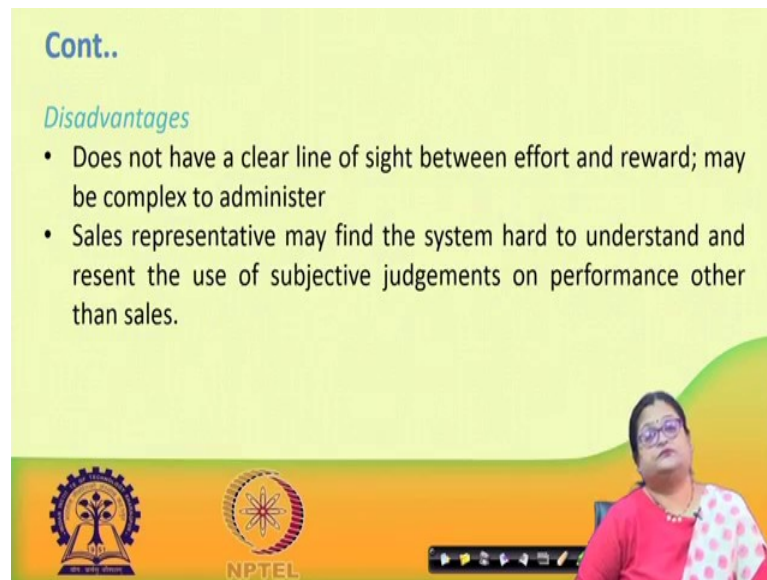
The slide also features logos for IIT Bombay and NPTEL, and a small inset image of a woman in a red shirt and glasses.

When there is another method which we called salary plus bonus. The features are these basic salary plus cash bonus based on achieving and exceeding sales targets or quotas and meeting other sales objectives. So, what you find over here? It is the basic salary plus a cash bonus given based on achieving and exceeding sales targets or quotas and meeting other sales objectives. So, it is more linked with reaching a particular objective given to the individual, reaching a particular quota or achieving a particular quota or exceeding it and other sales objectives which are given to the individual.

So, it is advantageous in the sense it provides financial motivation to the individual, but the targets or objectives for which you get this bonus may be flexed to ensure that the particular sales goals are achieved like high margin sales and customer service. So, the difference with this salary plus commission is that; in the salary plus commission the commission is related to the as a percentage of the sales volume or value.

Here when you see like when you are talking of salary plus bonus it is a financial motivation which is given when certain like goals are achieved by the organization like in terms of high margin sales, customer services and because it is not just only linked to the increasing sales volumes. But other things also the organization with from time to time may change the goal which or combine the set of goals which we need to be achieved or exceeded in order to get a bonus for it.

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Disadvantages

- Does not have a clear line of sight between effort and reward; may be complex to administer
- Sales representative may find the system hard to understand and resent the use of subjective judgements on performance other than sales.

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The disadvantage of it is, it does not have a clear line of sight between effort and reward may be complex to administer. Like in salary and commission we have a clear line of thought, line of understanding like my commission is related to the effort taken by me to increase the number of sales and actually the number of sales that is increased. Here there is like it is difficult to perceive the connection between effort and reward because where when you are talking of reaching a particular objective, improving customer service; so, these are certain things which are measured by indirect parameters and it is not like directly countable like counts that we can get for it. So, that is where, maybe people may have some difficulty in understanding like the connection between the effort and reward.

So, and the sales representatives may find the system very hard to understand and resent the use of subjective judgments on performances other than sales. So, because the bonus gets connected not on the number of sales ,increase in sales volume, but it is guided by other things also like customer service and the goals reached other like goals reached in terms of high margin sales and all.

So, people sometimes are not very able to understand the what is a connection between their effort and reward and they also feel like there could be subjective judgments in because it is not an exact countable things like the these are the units that you have seen

to kind of. So, people may think like there could be a lot of subjectivity, subjective judgment in understanding whether the goals have been achieved or not.

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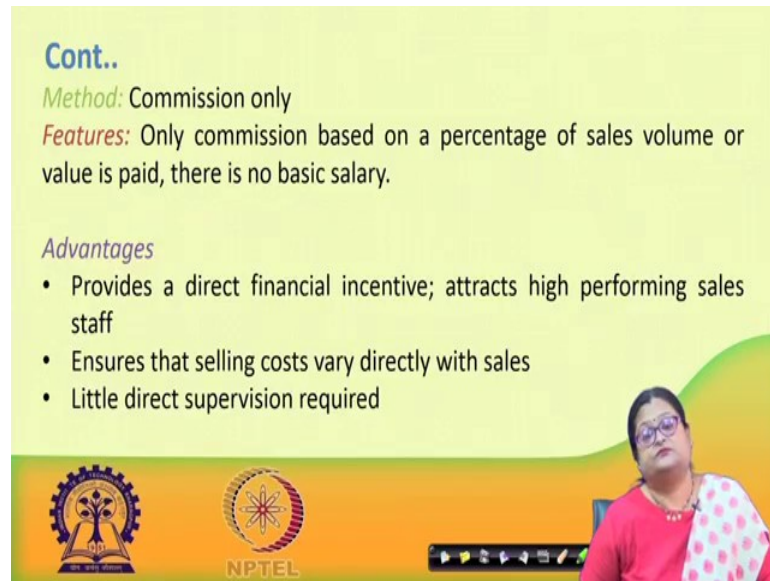
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When Appropriate

- When flexibility in providing rewards is important.
- It is felt that sales staff need to be motivated to focus on aspects of their work other than simply maximizing sales volume.

When it is appropriate is when flexibility in providing reward is important and second when it is felt that the sales staff need to be motivated to focus on aspects of the work other than simply maximizing sales volume. So, when it is decided by the organization it is not what you have done or what is the number of increase in sales volume that you have done which is the countable number, but how you have done, how you ever progressed to achieve that target is also very important then these kind of like combination where of rewarding salespeople where we are talking of salary and bonus this will work.

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Method: Commission only
Features: Only commission based on a percentage of sales volume or value is paid, there is no basic salary.

Advantages

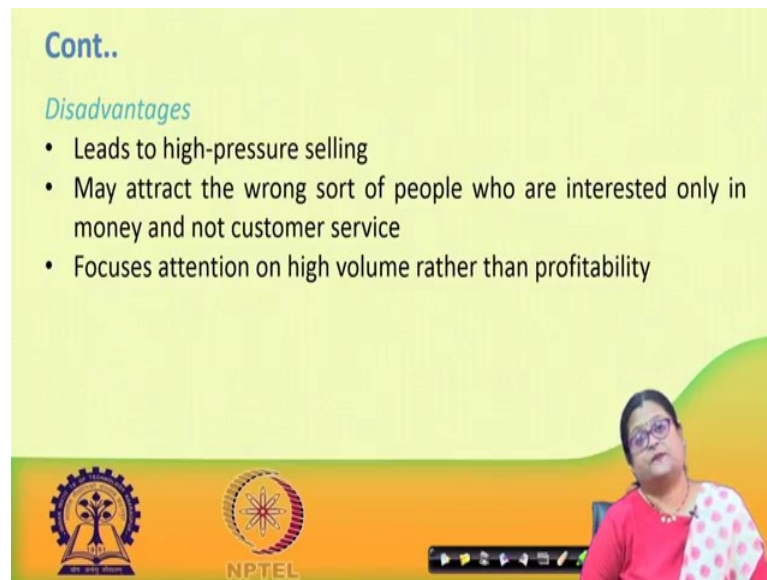
- Provides a direct financial incentive; attracts high performing sales staff
- Ensures that selling costs vary directly with sales
- Little direct supervision required

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The next method that we are going to discuss is commission only. The commission only method the features are, it is based on percentage of sales volume or value is paid there is no basic salary. The advantage of this is it provides a direct financial incentive; it attracts high performance sales staff. So, it ensures like the selling costs vary directly with sales and little direct supervision is required, because people know like their salary is linked to in the volume of sales. So, you do not have to monitor them, supervise them for understanding whether they are really making an effort to sell, whether they are wasting their time or not because it will get automatically tune to like if you have to get something a commission you have to sell first to get the commission.

So, these are the advantages like it provides a direct financial incentive, it ensures like the selling costs vary with sales and there is a little direct supervision required, but let us see also what are the disadvantages of these method.

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Disadvantages

- Leads to high-pressure selling
- May attract the wrong sort of people who are interested only in money and not customer service
- Focuses attention on high volume rather than profitability

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Yes, the first disadvantage is it leads to high pressure selling because I will be focused only to get as much commission as possible by as much selling we can do; it leads to high pressure selling, may attract the wrong sort of people who are interested only the increase of money and not customer service and it focuses attention on high volume rather than the profitability.

So, I will again as discussed earlier people may look into things which is easy to sell and that is why you go for a high volume of sale rather than something which is profitability, profitable in terms of selling a difficult product, but for which there is a high margin.

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Cont..

When Appropriate

- When sales performance depends mainly on selling ability and can be measured by immediate sales results
- Staff are not involved in non-selling activities
- Continuing relationships with customers are relatively unimportant

This is appropriate when sales performance depends mainly on selling ability and can be measured by immediate sales results. Staffs are not involved in non-selling activities, and continuing relationships with customers are relatively unimportant. So, it is not required that I need to take feedback from the customers and like I have to like retain the customers when this is not a requirement then the commission only basis works best.

So, again think over here, like if you are talking of the bus conductors like rewards like when we are talking of maybe the some at the private buses which are there so, which is like more based on the sometimes on the commission on the number of tickets that you have sold. So, in that case if that is what imagine a scenario maybe where there is no space inside the bus, but the conductor will always see the bus empty maybe and he will tell keep push in push in, there is a lot of space and he will try to squeeze in as many people as that can get inside sometimes so that he can get more commission from the number of tickets sold.

But, what are the real costs of that? Sometimes it leads to overloading of the bus, sometimes it may lead to accidents also. And in, but because there is no like liability on the part of the or less of liability on the part of the conductor for like to for ensuring like the same person will board my bus again they do not think of the long term effect of like if they go on doing squeezing people in what could be the long term effect of doing this and how risky it can become. So, this is a high pressure sale situation and where maybe

the continuing relationship with customers are less important, but again following this could lead to some risky moves on part of the conductor.

And, so when you are talking of designing a commissioned who their reward system should it be based only on commissions or should it be based on other parameters also may be we need to have a thought on it.

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Cont..
Method: Additional non-cash rewards

Features: Incentives, prizes, cars, recognition, opportunities to grow

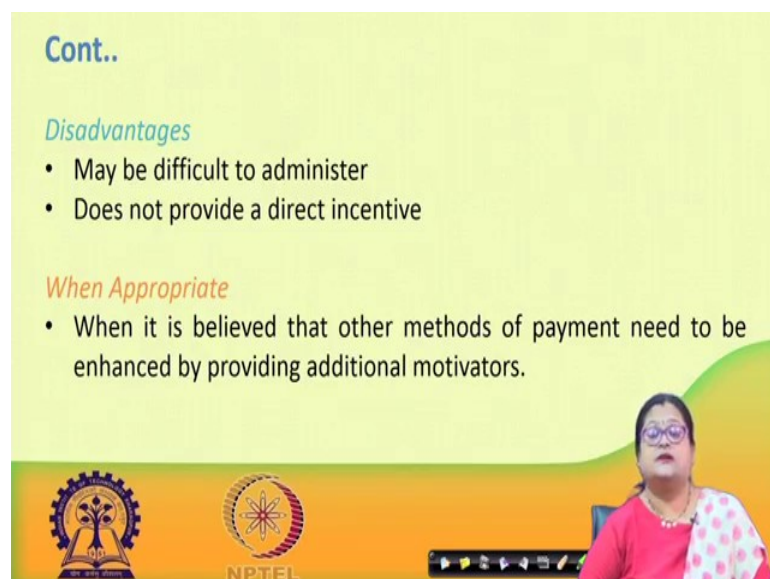
Advantages

- Utilizes powerful non-financial motivators.

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The additional non-cash rewards; the features are incentives, prizes, cars, recognition, opportunities to grow. Advantages are utilizes powerful non-financial motivators.

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Disadvantages

- May be difficult to administer
- Does not provide a direct incentive

When Appropriate

- When it is believed that other methods of payment need to be enhanced by providing additional motivators.

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Disadvantages is may be difficult to administer and it of course, do not provide a direct incentive. And, we are not able to understand the link between the effort in the reward and we are not able to ensure also by given these things whether the performance is going to improve or not.

So, when it is appropriate like when it is believed that other methods of payment need to be enhanced by providing additional motivator. So, this is a top up on the other kind of motivators which are already there.

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Rewarding customer service staff

- Customer service staff work mainly in retail establishments and in call or customer contact centers.
- Their rewards need to reflect the nature of their duties, i.e enhancing levels of customer service as well as selling.

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Now, we will discuss about rewarding customer service staff. Customer service staff work mainly in retail establishments and in call our customer contact centers. Their reward needs to reflect the nature of their duties that is enhancing levels of customer service as well as selling.

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The pattern of pay practices

Pay structure	Managers	Customer service staff
Grades	6	6
Broad bands	3	3
Individual ranges	4	4
Pay spine	2	2

Source: Armstrong, M., 2010. Armstrong's handbook of reward management practice: Improving performance through reward. Kogan Page Publishers. Pp.355



The pattern of pay practices if you can see pay structure if it is grades for the managers it is 6, customer service staff is also 6, then one of the broad bands in both cases it is 3 and 3, individual ranges are also 4 and 4 and the pay spine are 2 and 2.

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Pay progression and bonus	Managers	Customer service staff
Individual performance-related pay	4	5
Skills/competency pay	2	2
Contribution pay	3	3
Individual bonus	5	6
Team bonus	4	6
Commission	0	1
Profit sharing	2	2

Source: Armstrong, M., 2010. Armstrong's handbook of reward management practice: Improving performance through reward. Kogan Page Publishers. Pp.355

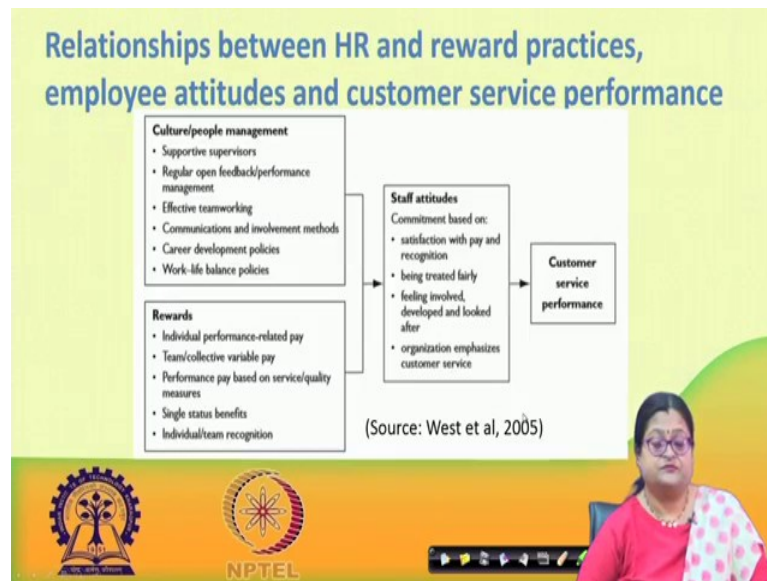


Pay progression and bonus: when you see individual performance related pay for the managers it is 4, but for the customer service staff it is 5. Skills or competency pay which is same in both because we understand the same kind of competences are required; contribution pay is also same. Whenever we talk of individual bonus it is more in case of

customer service staff; team bonus is also more in case of customer service staff because it is a team of people whose coordination is important in order to give a better service to the customers.

Commission is there for the customer service staff because it depends on the customer satisfaction that is, that the customers have been talking to the customer service staff and profit sharing is again both in same cases.

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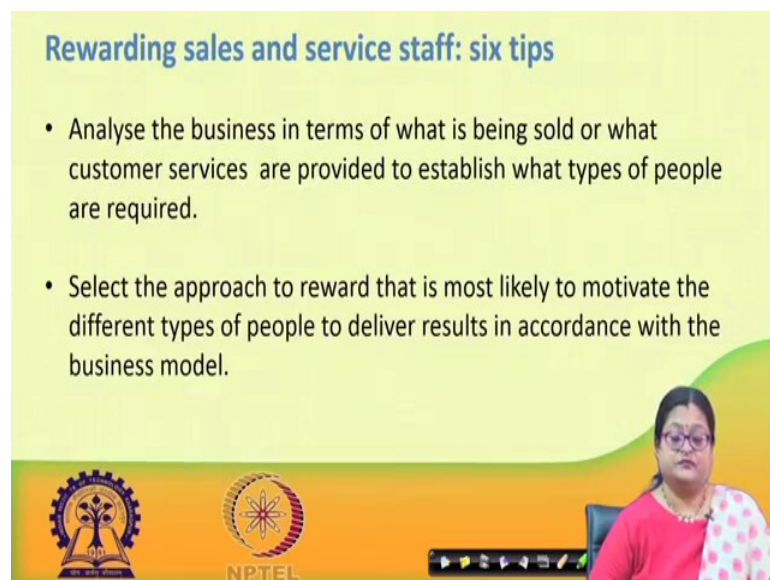
Here we will have a look into the relationship between HR and reward practices, employee attitudes and customer service performance. What we see over here as the culture of people management. The supportive supervisors, regular open feedback for performance and or performance management, effective team working, communication and involvement methods, career development policies, work-life policies are under the how culture of the organization or people management.

The matched rewards are individual performance related pay, team or collective variable pay, performance pay based on service or quality measures, single status benefits, individual or team recognition. These are the combination of these culture and the rewards together will develop the staff attitudes. That is commitment based on satisfaction with pay and recognition, being treated fairly, feeling involved, developed and looked after, organization emphasize on customer service. This staff attitude will lead to customer service performance.

So, if we have to increase this customer service performance by improving some of the attitudes that the staffs have in the organization towards like the customer service, then we have to ensure like in order to increase the attitude, to improve the attitudes. It is not enough to experiment on the different types of rewards that can be given combination of rewards that can be given or newer types of benefits that can be given. But it is very very important that the culture is also supportive in nature, proper feedback is there, effective team working is there, communication is there, career development scope is there and people are able to maintain work life balance.

So, all these together we had to develop a staff attitude which in turn will lead to increased customer service performance.

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Rewarding sales and service staff: six tips

- Analyse the business in terms of what is being sold or what customer services are provided to establish what types of people are required.
- Select the approach to reward that is most likely to motivate the different types of people to deliver results in accordance with the business model.

The slide features a yellow background with a green and orange gradient at the bottom. It includes the logos of IIT Bombay and NPTEL, a navigation bar with play, back, and forward icons, and a video inset of a woman in a pink shirt and glasses.

So, now, we will share with you six tips for rewarding sales and service staff. The first one analyze the business in terms of what is being sold or what customer service are provided to establish what types of people are required. Select the approach to reward that is most likely to motivate the different types of people to deliver results in accordance with the business model.

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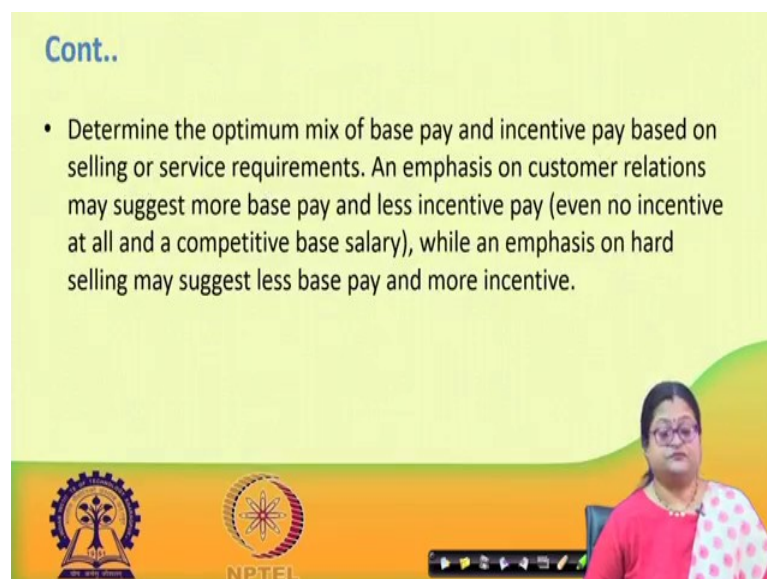
Rewarding sales and service staff: six tips

- Identify critical selling and customer service behaviours and capabilities and reinforce them through the reward package.

The slide features a green background with a yellow wave at the bottom. On the left, there are logos for IIT Bombay and NPTEL. A presenter is visible in the bottom right corner.

Identify critical selling and customer service behaviors and capabilities and reinforce them through reward package. This is very important. If this is done only, then the reward methods can be mapped to it and wants the reward methods get mapped to it you can use this as a reinforcing technique to like reward the critical selling customer service capabilities, and if these capabilities get rewarded then the performance will also improve.

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- Determine the optimum mix of base pay and incentive pay based on selling or service requirements. An emphasis on customer relations may suggest more base pay and less incentive pay (even no incentive at all and a competitive base salary), while an emphasis on hard selling may suggest less base pay and more incentive.

The slide features a green background with a yellow wave at the bottom. On the left, there are logos for IIT Bombay and NPTEL. A presenter is visible in the bottom right corner.

It is important to determine the optimum mix of base pay and incentive pay based on selling or service requirements. An emphasis on customer relations may suggest more base pay and less of incentive pay even no incentive at all and a competitive base salary, while an emphasis on hard selling may suggest less base pay and more incentive.

We are not telling one thing is correct the other is not correct, but it is our choice our preference the goal that we select for how we want to go with our relationship with our customers like is it like we go on more selling and increase our profitability or we feel like customer relations is important that is where we get to design the appropriate reward structure for it.

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- Ensure that incentives and goals are consistent with the business plan. For example, the focus in the plan, and therefore the criteria for sales commission, could be more about getting new customers and retaining existing ones than just sales volume goals.
- Segment the reward package as necessary to reflect the different demands made on members of the sales or customer service teams.

The slide includes the IIT Bombay logo on the left and the NPTEL logo in the center. A small video inset in the bottom right corner shows a woman with glasses and a pink top.

It is important to ensure that the incentives and goals are consistent with the business plan. For example, the focus in the plan and therefore, the criteria for sales commission could be more about getting new customers and retaining existing ones rather than just increasing sales volume goals. So, if like; if what is the business plan and how it is featuring over and with relating to the sells we need to understand.

So, if we focus on the plan so, it is more could we can see like it is not only getting about new customers, but when you talk of new customers means we will in future be loyal customers will be coming back to us and also retaining the existing one and then just increasing the sales volume like as if we are thinking it is a onetime sale and we do not need to come back to the customers again. So, whether like whatever incentives and

goals you are setting for them like the reward management should be aligned with the business plan.

So, it is better to segment the reward package as necessary to reflect the different demands made on members of the sales and customer service teams. So, if you are talking of salary plus commission at what stage may be of high sales, what kind of bonuses or the commissions will be available that could also be segmented. And when you are talking of salary plus bonus what all achieved what all targets, and goals achieved by the salesperson will be giving you what kind of bonus should also be clearly stated. So, that it gives the motivation to the person as a target to be reached by those who could not do it this time or missed it this time.

So, that they can try to do reach those goals, those parameters which will give them maybe more bonuses compared to the others or more commissions as compared to the others. But, again we need to design it very carefully so that we find like in the greed of getting more bonus or more commission the people get deviated from customer service. And gets maybe into more high pressure sales which may be against the ethics of like how you are doing your sales like whether you were like pressurizing your customers too much, whether you are following unethical sales practices or not. So, these are going to have a long term negative impact also the company and these are the things that we need to be careful about.

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The slide features the IIT Bombay logo on the left and the NPTEL logo in the center. A video player interface is visible at the bottom, showing a presenter in a red top and glasses.

These are the references from which the slides have been prepared. You can go through it, these are easily available and any queries you can put it into the forum. We will be there to discuss on it.

Thank you.