



Pricing Strategy and Commission Plans

Many printing sales reps are paid on commission, and there are many kinds of compensation plans. The best plans align the incentives of the sales rep with those of management, while being easy to understand.

JOBZ! enables the sales rep to visualize the anticipated commission on a job while preparing the customer proposal. This commission visualization is automatic, and contributes to more effective pricing strategy.

For example, if the plan is well conceived, then both the company and the sales rep are thinking alike when the sales rep decides: "I'll go in a bit lower on the higher quantities, because that will encourage a bigger sale, and even though my commission percentage drops a little, I'll still be making more on the job."

Some commission plans are easy to administer but leave money on the table, such as plans that pay all sales the same rate, with discounting allowed only by permission. Suppose you pay a flat 5% on sales. If the rep can add something to the job, then they get 5% of that amount. But a better plan would actually encourage them to sell a job higher than the estimate, by giving them a greater percentage on this additional amount, which means they are more likely to go for it.

Or, "I'll go in low on this job, to prove our strengths to the customer, even though I won't make much. I'll get it back in the long run as I work the account."

Another example of aligned incentives: "I'm pretty sure that in order to be competitive on this job I'll need to go in at our cost. But then I won't make any commission. So I'll go in a little higher and try to sell our quality and service. If they won't pay the difference, then I'll find someone else who will."

How about the jobs that look like big sales, but a glance at the expensive paper and extensive tradework shows that there is actually very little margin for your company in doing this job, especially if the sales rep discounts it at all. This is where a commission plan based on Value Added can be, well, valuable for your company.

In addition to visualizing the commission a sales rep might earn, the quote screen in JOBZ! enables (and automates) a number of other pricing strategies, such as meeting target prices, or increasing margins for higher quantities while maintaining a declining unit cost, or discounting only the value-added (labor) portion of a job.

Some of the plans that are already available in JOBZ! include:

Commission as a percent of estimate total cost OR selling price, plus a specified share of the markup.

Commission as a percent of selling price or estimate amount. Up to 15 steps with an option for as many as 3 different scales. (e.g.; Litho, Digital, Web) A stepped plan can both reward selling above list price, and penalize selling below it. For example, you make a 5% commission at list price, a 7% commission at 5% above list, and a 2% commission if you sell at 5% below list.

In addition to this visualization at the Proposal stage, JOBZ! can calculate the final commission at the billing stage, presenting a worksheet showing the calculations as page two of a Sales Invoice Draft. And when it comes to additional charges such as Customer Alterations, a test can be applied to compare the amount written by Production with the amount charged to the customer, and a portion of the markup can be awarded.

Finally, if you want to track your pricing against the competition, there is the Lost Job reporting feature. On both an individual job basis, and consequently over a specified time span, this capability means you can learn from your pricing mistakes. "Cost is fact, and price is policy," as they say.