

# Managing Prima Donnas: How to Work With a Sales Force

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As I've shown in other articles, the mathematics surrounding commission systems can be complex. Yet the more complex systems protect the dealer from low-priced jobs and reward the comfort consultant for superior performance—a win-win situation.

But there are other issues to consider when you decide to put a comfort consultant on commission. Here are some of the key issues:

- **How much should a comfort consultant produce?**

It depends on the market. For a residential replacement rep, volumes of \$500,000 to \$1 million a year are not unreasonable. For a residential new construction rep, the volumes can run a little higher—upwards of \$1.5 million. The volumes for commercial comfort consultants are considerably higher (because the jobs usually involved bigger-ticket items), so volumes of \$2 million to \$5 million are reasonable. These ranges assume that the dealership is actively promoting sales with advertising and promotions, producing a steady flow of leads for the comfort consultant.

- **How much should a comfort consultant earn?**

That depends on you. Suppose you have a residential replacement comfort consultant who racks up \$1 million a year. The rep should be entitled to between 8% and 14%

of their sales as commission, thereby grossing \$80,000 to \$140,000 for the effort.

This gross amount should include expenses, such as a vehicle, fuel, business expenses, and so on. So, if you pay your comfort consultants' expenses, you should then pay them a "take home" that is less these expenses.

On the other hand, if your comfort consultants pay their own expenses, you need to bump up the commission rate so they can afford to pay for those items.

What about salary plus commission systems (sometimes referred to euphemistically as "draw plus commission" systems)? On the plus side is the fact that the comfort consultants have income even when times are slow and sales are few. On the negative side, that kind of security might tend to make them complacent and less aggressive. I advocate full commission only, with enough of a rate that a comfort consultant can make tons of money.

What if they earn more money than you do? Do you really care? If a comfort consultant brings you \$1 million of business at or above your needed gross margin, should you care how much of it they get?

- **Should a comfort consultant have control of pricing?**

There is a lot to be said for establishing a fixed price using retail price books. Then,

you know that if you get the job, you're probably going to make the gross margin you planned on. Also, you take away the comfort consultant's escape hatch of price dropping any time the customer says, "I like your offer, but...you're a little high." A good comfort consultant will get the price you need for the job — an "order taker" will take the dive every time.

On the negative side, if the prices are set, there is not a lot of incentive for comfort consultants to excel where the job can be sold for more than the prices you've established.

My recommendation is to give comfort consultants control over pricing with some reins on their bridle.

For instance, the variable system that Chance uses (see "*Pricing For Commissions*") is excellent, even though it is complex. To improve it, I would establish a "floor" margin. I would tell my comfort consultant, "You can sell a job at any gross margin you need to get the order, but you may never go below x%." Now they have a floor, but not a ceiling. They can sell for as high as their skills take them.

#### • What about comfort consultant turnover?

Comfort consultants leave because they can't make enough money where they are. Beyond that, they might leave for personality reasons.

The question then becomes, "Why can't they make enough money at my shop?" Maybe your commission system is inferior. (Did you ever ask your comfort consultants what they think of it?)

Or maybe you're in the wrong market. Let's face it — with better brands of equipment, you're going to have higher costs than a lot of other dealers you compete with. You can't meet their prices every time. You'll go broke doing that. But you can find a market niche that appreciates quality and is willing to pay more for it. Find that niche and own it. You'll do well, and so will your comfort consultants!

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