

# THE RIGHT COMPENSATION PLAN: *The Route to Greater Hospitality Sales*

By Ron Volper

**During the last decade, many travel and hospitality companies have established new sales goals and changed the expectations they have of their salespeople. But few have changed the way they pay those who bring in the business.**

**C**ompetition—both locally and globally—is growing more intense, and price cutting by airlines, cruise lines, hotels, car rental agencies, and other hospitality organizations has, at times, been rampant. Today, buyers of travel and hospitality services are more demanding. The expectations of owners and investors for profitability and return on investment are escalating.

If travel agents, corporate travel managers, or meeting planners are not persuaded by your salespeople, then the traveler may never experience your product. This is the reason why your sales team needs to be stronger, more inspired, and more focused.

Salespeople require a remarkable degree of self-motivation. They are confronted daily with an array of decisions that test their discipline. When should they make their first appointment, when should they schedule their last? How many calls should they make, and how can they best prepare for each call?

Salespeople must follow up with their customers or potential customers after every call, and they must complete detailed internal reports on the

outcome of these contacts. They also need to phone prospects for more appointments, knowing that most people they speak to or meet will say “no.” Some emphatically! Even top salespeople experience a high rate of rejection.

Unlike others in the company, the performance of salespeople is measurable on a daily and weekly basis. They are accountable to customers, to prospects, and to several layers of management. For these very reasons, salespeople need a motivating and rewarding compensation plan.

While employees in other positions, and some managers, may question the need to pay salespeople “extra money” for doing what they should be doing, salespeople hold a unique position in an organization. The old adage, “Nothing happens until the sale is made” holds true.

## **Assessing the Existing Plan**

There are several indicators that suggest that an existing compensation plan may not be serving salespeople and their company well. The key indicators are:

### **Quantitative Indicators**

- The company is not achieving its

revenue or profit objectives.

- Revenues or profits are flat in comparison to the previous year.
- Over 25 percent of salespeople have not met their revenue goal or their other sales goals.
- Cost of sales exceeds 20 percent of net sales revenues.
- Salespeople have not developed enough new business or do not have enough prospects in their “pipeline.”
- Turnover of salespeople exceeds 20 percent annually.
- Top salespeople have left the company.

### **Qualitative Indicators**

- Salespeople are dissatisfied with the plan; or cannot easily explain it.
- Sales managers have trouble defending it.
- Salespeople are not calling on the right target market segments or at the right levels.

While there may be several reasons for these shortfalls and dissatisfactions, assuming that the sales team is competent, there is a likelihood that the sales plan is a contributing factor.