



BEST PRACTICES MANUFACTURERS REP COMPENSATION

Drive Behavior and Enhance Mind Share



The Foundation of the Best Rep Compensation Plans



**ALIGN WITH THE
MANUFACTURER'S
STRATEGIC OBJECTIVES**



**ALIGN WITH THE
MEASURED REP GOALS**



**SIMPLE TO
TRACK AND
CALCULATE**



**PAYS FOR GLOBAL
BUSINESS
DEVELOPMENT**



**INCLUDES REALISTIC
UPSIDE INCENTIVES
INITIATIVES**

Best Practice Commission Rates

No True “Industry Standard”

Rates Vary

- Ranging from a low of around 3% to 10% +

Determining Factors:

- Sales Cycle (Rep ROI)
- Product- Commodity or Value –Added
- Market Segment Expertise (Specialized Skills)

Best Practice Commission Splits

Key Driver is “Influence”

Where can the Rep have the greatest Impact?

{in•flu•ence} v.

1. to affect the nature, development,
or condition of;

Typical “Influence” Driven Split

Engineering 70%-80%-90%

Purchasing 30%-20%-10%

Ship To Location - What if any
support is required?

Limit 3 Way Splits- Difficult to
Manage and take away from
compensating for critical
influence



Best Practice- International Compensation Splits



**Process in place
to Identify
Location**



**Reps work
with Global
Contacts**



**Design
Credit
80% +**



**Domestic
Decision
80%+**



**No time
Limit pay
LOP
(Revenue
Timing)**



**Tracking: Rep
RSM Goals to
include Global
Revenue**

Critical to Incentivize Domestic Design and Contract Activity

Best Practice Distribution Sales



Commission both Broad Line and High Service

Commission Direct or Distribution Sales Equally (align with business strategy)



Pay on Distributor Cost or POS ???

Paying commission on POS has a positive benefit to the Distributor and Manufacturer

- Reps have a positive influence over resale & account and competitive knowledge
- Rep pricing guidance enhances manufacturers mind share with Distributor.
- Price optimization enables manufacturers Distribution pricing strategy

Best Practice “Legacy” Business

Incentivize

**Goal Incentivize
New pursuits
not diminish
ongoing Effort**

Design/Support

**Design/Support
work for Legacy
Products is
always ongoing**

Align

**Align any Plan
with Design
Cycle.

Don't penalize
Rep for slow
program start-up**

Design

**Best approach
Design Plan
around:**

- Specific Product
- Specific Customer
- Specific Program
- Product Obsolescence



Best Practice New Product Introduction Incentives



Commission rate often 2X regular Rate



Often NP's have a lengthy product acceptance, incorporate in commission pay out schedule



Support Sales effort with strong marketing and customer targeting process



Develop fair Rep NP goals and KPI measure

New Design and or Customer
Specific Products or Market Wins

Additional Incentive Programs Work Best When



Easy to Track and Measure

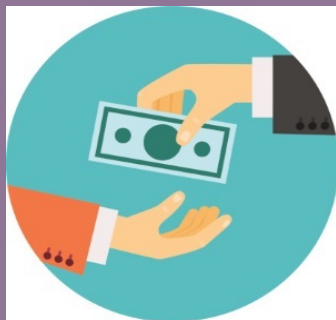
Aligned with Sales Cycle

Timely Pay Out

Make it Competitive



Best Practice Contractual Commission Support



Commission paid Monthly

**6 Months + to claim commission
discrepancies or disputes**

1 Month to adjudicate discrepancies

**Extend Payout if “House Account”
transition occurs**

**Extended Termination pay-out clause
IE One month for each year of service**

Alternative Compensation Plans

Stipend

- Typically used with “missionary” lines or when agreed upon services are provided
- Manufacturer compensates Rep a set monthly fee
- Ranges from \$3K-\$5K monthly
- Remains in place for set time or until commission reaches this level

Shared Compensation

- Rep hires a “manufacturers specific” resource and cost is shared
- Rep and Manufacturer collaborate on the person selected

Manufacturers with Best Rep Comp Plans

View commission not as a cost but as an investment. A key investment in the overall go to market strategy.

Recognize ROI needs to go both ways to optimize results

Round Table Discussions

Group and Tables preassigned

Table Leader Assigned

Discussions regarding compensation best practices

Table leader shares outcome with Group

Summary to be provided post conference

Please proceed to your assigned tables

