



Mindshift

In Association with

Preeminence



THE 100% SOLUTION

In this story Jay illustrates how rewarding your sales team will motivate them to bring in more clients while costing you very little of the lifetime value that a customer will generate.

I have a client whose income curve was flat. It doesn't matter what they sold. Pretend it's your product or service.

This company had a compensation program that paid the sales people 10% of the profit. And the dollar numbers are arbitrary – multiply them by 10 or 100 and the lesson is the same. So, if the company made \$1,000 profit on a sale, the sales person would get \$100 and the company would get \$900.

I had them calculate:

- What the average new client is worth to them in dollars each time they buy.
- How many times that client will buy from them each year.
- How many years the average client will be with them.

It turned out the first sale, on average, resulted in about \$200 profit for the company. Of that, \$20 went to the salesman or woman, \$180 to the company. On average, the client bought five times a year for three years. So basically, each time that company got a new client, they were receiving \$3,000 in cumulative profits.

My solution: Instead of giving the sales people 10% of the profit on a sale to a new, first time client, give them 100% of the profit of the first sale.

The company management's response: "You're insane!"

I smiled pleasantly and went on to explain that as long as their sales people maintained sales from existing clients at past levels or above, give them 100% of profit on the first sale for every new client they bring in. They'll be ten times more motivated to sell new clients. And every time they bring in a new client, the sales person makes an additional \$200, but the company makes an additional \$2,800.

The company implemented the plan and sales tripled in nine months.
...and they said they were sorry for calling me insane

