



Sometimes it seems like managing salespeople is more art than skill. In addition to the regular employee issues, you have an additional set of concerns specific to salespeople—such as compensation. Is paying your sales team straight commission more effective than paying them salary plus commission? Which method is more motivating for salespeople?

In general, most small-business owners lean towards hiring commission-based salespeople. Sam Richter, bestselling author of the award-winning *Take the Cold Out of Cold Calling*, and founder and CEO of the [Know More!](#) sales improvement program says that the "pay-for-performance" mentality is often instilled in entrepreneurs because that's typically the way they have built their own businesses. He adds that the recession, many businesses went more heavily toward commission payment, "sometimes out of necessity, based on cash flow."

Adam Rizza, president of [Sunscape Eyewear](#) in Irvine, Calif., says the recession definitely affected the pay structure for his sales force.

"Luckily our sales were still going up, but we were feeling the squeeze from our vendors and factories to make some changes," Rizza says.

Commission at Sunscape had always been a straight 10 percent, with employees making a base salary equivalent to 25 percent of their total compensation package and commission accounting for the rest. Rizza says they set up a tiered structure for the various price levels of its product offerings, which "forced the sales team to negotiate more money for the items they were selling to make their usual commission." Rizza adds that they all stepped up to the challenge, "fighting for every dollar."

Commission vs. Salary

Is commission the bread and butter for salespeople that it used to be? Or is paying straight salary more in favor these days? Rizza says businesses are more conservative and more cautious today when it comes to commission. Adam's brother, Wally Rizza, CEO of Sunscape, believes commission still plays a major role in motivating salespeople.

"If a salesperson brings in new customers, it's motivating to pay them more 'points' on that account. But more companies are lowering the commission on older accounts that salespeople are servicing. Of course, you need to compensate your sales team for upselling and renewing old contracts."

According to [FollowupSuccess.com](#), 80 percent of sales are made on the fifth to twelfth contact. That requires a lot of persistence—and salespeople want to be fairly compensated for their efforts. At bigger companies, they often are, with salary-plus-commission jobs yielding big bucks. For example, job search website [Glassdoor.com](#) quoted the annual average commission at Oracle at \$77,362. For small businesses trying to compete for top salespeople, it's important to make your commission rate attractive, fair and easy to understand, even if you can't match that level of compensation.

"Businesses that compensate their sales teams fairly attract better salespeople, and that talent generates more revenue," says Richter. "But small-business owners who have shifted towards a pure commission model during the recession most likely saw a loss of their best people."

Secret Formula

So is there a secret formula to striking the perfect balance between salary and commission to attract, motivate and retain top salespeople? It depends on the salesperson and the commission structure, says Richter.

"Hunters' will often get excited about pure commission—in which the commission is high and the price of the item being sold is high—because they understand the amount of money they can make," he says. "However, those people and those jobs are few and far between. Most salespeople are less hunter and more farmer, meaning they spend more time building relationships than just pure selling."

This holds especially true in small businesses, where the salesperson usually services the account after selling it. Richter says that typically the best model for small businesses is a combination of commission, bonus and salary. He adds that total sales compensation has remained about the same since the recession began, meaning that many salespeople "haven't had a raise in four years."

This could lead to an antsy sales staff looking for greener pastures. Of course, Richter advises, you need to "balance cash flow with keeping talent, and [you] may need to get creative. It might mean giving the best salespeople a small ownership stake in the business, or increasing commission percentages, or paying bonuses."

How do you pay your sales staff? How do you retain top talent?