

HOW ABOUT ...

Modifying behaviours in the sales channel to achieve real results

By Paul Lange, Director WOW Enterprise Performance Solutions



Paul has over 17 years of experience in designing and implementing incentive, recognition and communication programmes. In 2007 he co-founded WOW which currently rewards 1,000s of participants across numerous channel programmes customised for top South African companies.

Behaviour change in sales channels is constantly evolving and Manufacturers and their channel partners face a situation where the key players who interact with end-user consumers are not in their employ, but are employed by 3rd or even 4th parties. Notwithstanding, modifying sales behaviours should continue to be regarded by Manufacturers as a powerful marketing tool in their strategy to move products and services.

Among the tactics currently used to change behaviour are prizes for best performing intermediaries e.g. dealer prizes such as a trip to Mauritius, or a visit to Manufacturers head office or manufacturing facility (i.e. a leisure/ vanity/ knowledge based reward), or a trip to an industry specific global exhibition where dealers have the opportunity to learn, explore and network at an unprecedented level (i.e. personal development-based reward).

Winning dealers are determined by the Manufacturers on the basis of % of sales above targets mixed with the politics of who needs to be 'kept sweet' in terms of competitor activity in the channel.

The relationship is further built with key account managers sharing the spoils of the competition and solidifying their relationships with best dealers.

Very often dealer perks/ incentives run on top of the usually well-crafted technical, performance incentives using rebates and preferential pricing systems that Manufacturers have in place.

There is similar excitement in respect of incentives at the next level down in store, namely incentives for Sales Assistants.

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A New View on Incentivising Sales Assistants

Across most industries, but especially in the telecom/motor/consumer electronics/health/financial services sectors, there is often a constant set of directly competitive offerings being made to Sales Assistants. These offerings sometimes follow a competition format, but in relation to Sales Assistants, this format has lost some of the traction it once boasted and now most commonly follows the format that if the Sales Assistant sells a specific product, they get a specific reward.

Heading the list of the alternative incentives used on South African retail sales assistants are SPIVS: cash payments made to dealers for distribution to Sales Assistants or to Sales Assistants directly. Some of the other incentive models used include

- points for merchandise
- points for travel
- sweepstake prizes (more sales = more draws)
- vouchers
- airtime
- experiential rewards, from free dinners to neck massages

SPIVS and other derivative incentives can achieve reasonably rapid behaviour changes in Sales Assistants. When the Manufacturers or principals look to considering the efficacy of their incentive strategies they have to consider a number of issues:

1. Commercial pressure

OEMs who have committed to a very aggressive, often publically proclaimed, business strategy, where market share is all... are therefore under enormous pressure to deliver tangible results to not only shareholders but also to the dealers themselves. The industry needs to believe that this Manufacturer's market share is being relentlessly and successfully pursued.

One South African consumer electronics giant (Samsung) appears to have taken this approach and is paying SPIVS to Sales Assistants at such an aggressive level that in real terms these SPIVS exceed the headline GP that the dealer principal expects to earn on the incentivised products.



Whether this strategy remains sustainable will be borne out in future months, but the aggressiveness of MEGA SPIVS is certainly forcing other OEMs to relook their own SPIV policies in respect of both:

- Target - are these SPIVS which the dealer distributes or are they targeted directly at Sales Assistants?
- Quantum - are these SPIVS sizeable enough to affect the behaviour change required of Sales Assistants?

It is generally accepted that the commercial pressure scenario requires that Manufacturers move quickly with short term tactical solutions to counter the lead players in their sector.

2. Legal pressure

All Manufacturers are currently facing legal pressure from two statutory sources:

- a) The introduction of the Consumer Protection Act on 1 April 2011, which inter alia requires Sales Assistants or dealers to inform consumers during the sales process of any incentives/ awards linked to the sale of the product being promoted.
- b) More effectively policed compliance to existing rules and regulations set down by SARS. SPIVS/ points/ vouchers/ prizes/ airtime are often grey areas in terms of whether appropriate PAYE has been deducted, where responsibility for such deductions actually lies and if the Manufacturer is at any risk of getting into 'hot water'.

Different sectors are at variously differing levels of advancement in formalising their responses to these challenges. In some sectors these issues are being ignored completely. In others, industry associations are creating or have created codes of conduct/ ethical guidelines/ principles for fair play which members of industry bodies can agree to uphold.

New trends demand new solutions

Over the past few months, WOW has seen some significant trends developing as a result of these combined commercial and legal pressures:



There has been a request by clients for the designers of their 3rd party intermediary incentives to acknowledge the current realities of this changing landscape and to provide behaviour change tools that take cognisance of these commercial and legal realities, but that seek to use the landscape to secure compelling competitive advantage for the Manufacturer.

Clients are saying: “I need to be seen to be taking the moral high ground. I need to be innovative in terms of my approach. I need to make an offering that is sustainable over at least 3 years.” In other words, rather than a knee-jerk reaction that leads to short term competitive advantage, WOW clients across several sectors are looking at creating medium (3 to 5 years) solutions that will stand the test of both commercial and legal scrutiny.

Of course, all this presupposes that any such solution must have appeal at an emotional level and that the creative aspect of the design of the solution should get as much input and attention as the drier, more technical aspects of the solution.

Most solutions developed by WOW in recent months, tend to encourage the dealer principal to accept a certain amount of disintermediation between the dealer and the sales assistant in return for reduced administrative burden, greater principles of governance and a sense that there is still something in it for dealers themselves.

The solutions for sales assistants are more and more directly focussed on sales through to specific end-user consumers. Part and parcel of the offering to sales assistants is often that they are required to ensure that end-user consumer details are correctly captured for the Manufacturer’s database.

While in the past sales assistant programmes used a single measure of sales to determine rewards, new generation solutions balance offering rewards for proof of customer service and proof of knowledge of specific marketing activities by Manufacturers as against pure sales only.

WOW solutions now incorporate the deduction of PAYE due to SARS, as well as all reporting and associated regulatory requirements. In this way, WOW has assumed the role of a 3rd party product promoter, to provide a legal distance between the Manufacturers and the sales assistants, and to effectively manage that risk, while not diminishing the power of the incentives offered.



The second notable trend is the paying of much more than lip service to the integration of dealer programmes with sales assistant programmes and end-user consumer programmes in relation to the marketing efforts and the core brand values and brand messaging from the Manufacturers.

Such integration brings leveraged results, but comes at a cost, in that an out of the box solution for a Manufacturer will not suffice, and a customised solution is required. In response to this trend, WOW customises each of its solutions so that they are able to act as a lead agent in implementing integrated solutions.

The challenge to Manufacturers is how they choose to handle the commercial pressures and comply with the new regulations. Their response to this change will undoubtedly, in part, shape their sales future.