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Your Tuesday quick fix of money making retail marketing ideas from retail expert Rick Segel.

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Quote of the Week:
If we couldn't laugh, we would all go insane.
- Jimmy Buffett

Have praise or criticism about our weekly Tips? Please tell us about it. You can send email directly to Rick at Rick@ricksegel.com.

Joke of the Week:

Hilarious Signs

On a plumber's truck: "We repair what your husband fixed."

On the trucks of a local plumbing company in NE Pennsylvania: "Don't sleep with a drip. Call your plumber."

To Commission or Not to Commission ...

That's an interesting question that needs to be revisited.

I have not been the biggest supporter for paying commissions in a retail store setting. There are a number of reasons that I feel that way:

1. You want a commission system to serve as an incentive to your employees to perform. Unfortunately, it just doesn't always work that way.
2. It doesn't guarantee results especially with part-time employees. I believe it doesn't work because many commission programs are rewarding results that would have occurred even without the commission.
3. It can create in-fighting among employees. ("She is my customer. No she is mine.") etc. etc. just like little kids.
4. Many commission plans become predictable and expected—a ho-hum. You really want to create excitement..

There is another side to the issue of commissions. Understand, if the employee can earn a livable wage via commissions, then there is no question about the effectiveness of commissions. Nordstrom's is famous for their commission structure because they have allowed their front line sales people to make very lucrative wages. Their employees have even moved to cities where new stores were to open. Yes, they transferred themselves, at their expense because the commissions would be so good in a new area.

So why the discussion about commissions? Because there are some other situations where commissions or incentives do work very well and need to be addressed. I have to give credit to Bev

plumber .

Pizza shop slogan: "7 days without pizza makes one weak."

Outside a muffler shop:
"No appointment necessary. We hear you coming."

In a veterinarian's waiting room: "Be back in 5 minutes. Sit! Stay!"

Door of a plastic surgeon's office: "We can help you pick your nose!"

On an electrician's truck:
"Let us remove your shorts."

In a non-smoking area: "If we see smoke, we will assume you are on fire and take appropriate action."

On a maternity room door:
"Push. Push. Push."



from Coast Highway Traders in Encinitas, California who wrote in explaining how she paid her employees an extra \$1.00 for every customer that they can sign up for the store's data base/mail list. Think about the lifetime value of a customer. It can be worth thousands of dollars over the years. Many times these long term relationships start with a positive shopping experience and a few friendly reminders sent to them in a variety of ways can be the key to developing that long term relationship.

I know what you are thinking--not every person you add to your data base is going to be worth thousands. You are absolutely right! What if only 5%, one in every 20 customers, became good customers? That would mean it cost you \$20. That is still a small price to invest to create the consistent long term customer. Bev shared with me that her email list grew in leaps and bounds when she instituted this program. Every week she would give her employees an envelope with cash representing the amount of people the employee signed up.

That incentive doesn't have to be forever. You can start it or stop it anytime you want. Actually, I think some of the best incentives should be short term or for a specific time period. Do it for a month, a week, or a season.

There are two other ways commission systems work. First, when it is used to move slower selling merchandise. Instead of marking down merchandise, offer an incentive or "Spiff" to your employees for selling it. Sometimes merchandise doesn't sell because it wasn't displayed properly or some of your employees didn't like it. With an extra commission, it is amazing how employees fall in love with merchandise that they hated the day before. A \$5.00 spiff can be much cheaper than reducing the price by 20%

Lastly, there is one other way I love to do commissions or bonuses. That is a group commission/bonus. The way it works is the owner establishes a sales goal for the store to do in a month. If the store hits the goal, a dollar amount is shared by all of the employees. It is divided by the amount of hours everyone works. Example would be if the store's goal of \$30,000 for the month is met, then the bonus amount is \$1,000. You first determine what the hourly bonus would be. If in the month there are 500 man hours, that would mean the hourly bonus would be an extra \$2.00 per hour. If someone worked 40 hours, the extra bonus would be \$80.

Some stores will also add expenses into the picture but the simpler the better. I would love to see what you folks are doing in relationship to commissions. Pro or Con. Never or Maybe. Share your experiences and I will report them all next week. Whatever your opinion is, I still like the \$1.00 incentive for capturing information about your customers. Have a great week.

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