

## Salespeople Incentive Schemes

There are a variety of incentive schemes that can be implemented in order to help motivate and reward salespeople.

In this exercise you need to first calculate the total salary/incentive paid in each of the following payment structures. Then you need to determine which structure is the best approach.

**For all the incentive schemes below: George, the salesperson, sells 1,000 toasters in April and 2,000 toasters in May.**

### Incentive Scheme One

- Straight commission only
- George gets paid \$3 per toaster

<b>George's total remuneration</b> =	<b>In April?</b>	<b>In May?</b>
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### Incentive Scheme Two

- Straight commission but with a guaranteed salary
- George gets paid \$3 per toaster
- But with a minimum salary of \$4,000 per month

<b>George's total remuneration</b> =	<b>In April?</b>	<b>In May?</b>
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### Incentive Scheme Three

- Salary only
- George gets paid a salary of \$5,000pm

<b>George's total remuneration</b> =	<b>In April?</b>	<b>In May?</b>
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### Incentive Scheme Four

- Straight commission but with a guaranteed salary and a bonus
- George gets paid \$2 per toaster
- But with a minimum salary of \$3,000 per month
- And a bonus of \$2,000 if he sells 2,000 or more toasters

<b>George's total remuneration</b>  =	<b>In April?</b>	<b>In May?</b>
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### Incentive Scheme Five

- Salary plus commission
- George gets paid a salary of \$2,000 pm
- And a commission of \$2 per toaster

<b>George's total remuneration</b>  =	<b>In April?</b>	<b>In May?</b>
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### **Student Discussion Questions**

1. Start this exercise by completing the above calculations.
2. Which scheme would George probably prefer? Why?
3. Which scheme would the firm probably prefer? Why?
4. If they would prefer different approaches, how would you resolve the situation?
5. Is it always necessary to use some form of incentive scheme, or is sometimes a straight salary approach the best option?
6. If different, is there another scheme more suitable to meeting the needs of both parties?