You Get What You Pay For

On page 82 of this issue, we present our third annual retail sales compensation survey. Reviewing prevailing sales pay scales brings to mind the old saw about, getting what you pay for. The sage who coined that phrase was most likely cautioning buyers to beware of deals that seemed to good to be true. However, it applies just as well to hiring practices.

Whenever the subject of sales people arises amidst a group of music retailers, someone inevitably starts discoursing about the difference between "sales people" and "clerks." "Most of the sales people in this industry are clerks," they intone. "Brain dead drones who sit behind the counter waiting for customer to come in and buy something." As they warm to the subject, they ponder, "Why can't we find more real sales people. Motivated, personable, hardworking people who can really go out and find extra business." What usually gets overlooked in these conversations is the fact that most dealers want these hard working, creative, motivated, personable sales people to work for just over minimum wage, with no fringe benefits.

In every industry, there are always more job openings than there are capable qualified people to fill them. And, as a scarce commodity that is in tremendous demand, talented people command a premium. In short, you get what you pay for. Retailers who want talented sales people instead of brain dead clerks had better be willing to ante up with a compensation package that offers more than mere subsistence.

We are fortunate that a sizable number of talented people gravitate towards our industry out of a love of music. However, even the most committed can't survive on a love of music alone. They need a little material reward as well. While there is no hard statistical data on the subject, anecdotal evidence powerfully points to a direct correlation between sales compensation and overall store success. In other words, the more successful the store, the higher the compensation levels.

A lot of retailers' first reaction to reports of high priced sales people is, "I'd have to be a lot bigger and more successful to pay someone like that." What they fail to grasp is that generous compensation is not so much an expense as an investment in building a business. The difference between extremely profitable music retailers and those that are struggling to survive is usually only a few percentage points in gross margin, and slightly higher productivity in measures like sales per square foot, and sales per employee. In more cases than not, the origins of these differences can be traced to the quality of people on the sales floor. High profit stores are usually staffed by sales people who know how to overcome customer objections without immediately resorting to price cutting; who are constantly ferreting out new prospects; who can maximize transactions through "add-on" sales; and who create the type of atmosphere that keeps customers coming back and produces referral sales. By contrast, the sales personnel at struggling stores is usually uninformed, unmotivated, and indifferent to the customer.

Is generous compensation the answer to all business problems? No. However, thriving businesses depend on capable people, and the only way to attract capable people is to provide an incentive. If you want qualified people who can enhance the profitability of your businesses, prepare to get out your checkbook. If you're not willing to pay, content yourself with a staff of clerks.

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