EDITORIAL

THE SCARCITY OF QUALITY

One of nature's more intractable rules seems to be that things of quality never exist in abundance. The scarcity of diamonds, emeralds, and gold are just one example. Unfortunately, the rule seems to apply to people as well. Ask a store owner what's holding back the growth of his business, and nine times out of ten, the answer is "a shortage of good people." With our fourth annual retail sales compensation survey, which appears in this issue, we decided to try to calculate just how rare good people are. The conclusions are surprising.

In 1993, the total U.S. music products industry racked up retail sales of $4.57 billion. Given that sales compensation averages 10% of sales in most retail operations, the industry's retail sales force collectively pulled down about $457 million in wages and commissions last year. With average annual sales compensation running at $20,500, we can assume that there are approximately 22,000 salespeople plying their trade in the country.

22,000 sales people industry-wide, each generating slightly over $200,000 a year in sales, seems pretty unexceptional. But then averages have a way of being misleading. Mark Twain once observed that even though the Mississippi River had an average depth of only 18 inches, you could still drown in it. Looking only at "average" sales compensation figures can be equally deceptive.

Interviews with scores of retailers and a wealth of anecdotal evidence suggests that most stores have one or two star salespeople who generate the lion's share of the business, supported by a larger number of stragglers who just manage to get buy. Precisely quantifying the ratio of stars to stragglers industry-wide is beyond us, but intuition tells us that the well used 80/20 rule applies. (20% of the salespeople generate 80% of the business.) Follow the numbers to their logical conclusion, and you ascertain that around 4,000 sales stars generate 80% (maybe even more) of the industry's total volume. With the U.S. population at 250 million, we'd say that the 4,000 people with the talent to make it on the retail floor constitute a pretty exclusive group.

Is there really a difference between stars and stragglers? That's like asking if there is a difference between a bunch of high school kids playing pick-up basketball and an NBA team. Here our survey numbers help put the performance differential in perspective. Average salary numbers presented in the chart on page 58 obscure the fact that some salespeople earn over $100,000 while others just barely make the minimum wage. A salary differential factor of 10 clearly reflects a comparable variation in performance. It's also worth noting that turnover is much higher among the struggling 80% than the high-performance 20%.

These numbers suggest something about company and industry-wide training efforts. The huge pay differential on the retail floor is a powerful form of natural selection. Clearly not everyone is cut out for a retail sales career, and paltry earnings help encourage people to find a more appropriate calling. By the same token, not every new retail sales conscript is worth a sizable investment in training. However, anyone with the latent potential of joining the 4,000 "stars" clearly is.

If the circle of salespeople worth training is as narrow as our survey suggests, then the industry is doing a much better job at "professional development" than it generally gets credit for. Assemble all the retailer, manufacturer, and association training efforts on a yearly basis, and we are clearly reaching out to more than 4,000 people. Of course anything can be improved. But under close analysis, there doesn't seem to be thousands of deserving salespeople lacking in any form of training.

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