



# Case let 12.1: Adjusting Compensation Plan to Motivate Reps

Here is where our  
presentation begins

# INTRODUCTION

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- Pelican pharma patent expired, drug's gone generic, can't retain experienced reps
  - Does not have "blockbuster drug" in pipeline
- Board of directors rewards reps based on profitability
  - As sales slumped, sales personnel income declined
- New director of sales Frank struggling with motivation and rewards for sales force
- Frank wants to change commission structure, kick off upcoming annual sales meeting by outlining new structure
  - Must make proposal to board of directors to lower quotas
  - Will highlight total rewards package



# PELICAN REWARDS PACKAGE

01

Modest salaries, company cars, and full benefits (some of the best in the industry)

02

Pays commissions based on salespeople surpassing their previous year's sales totals

03

Escalating reward system kicks in once rep hits 80% of quota

04

Sales contests related to selling the company's most profitable drugs

- Rewards usually consist of trips or merchandise

05

Average rep is only achieving 75% of quota

- Rep earns no commission

06

Those who do earn bonuses are usually only a few % over quota, so commission checks are marginal

Quotas are set by board of directors and are based on the company's overall operations overhead and the return shareholders expect

# GIỚI THIỆU

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- Bằng sáng chế dược phẩm của Pelican đã hết hạn, thuốc chung chung đã hết, không thể giữ chân các đại diện có kinh nghiệm
  - Không có thuốc bom tấn trong quá trình sản xuất
- Ban giám đốc thưởng cho đại diện dựa trên lợi nhuận
  - Khi doanh số bán hàng sụt giảm, thu nhập của nhân viên bán hàng giảm
- Giám đốc bán hàng mới Frank đang vật lộn với động lực và phần thưởng cho lực lượng bán hàng
- Frank muốn thay đổi cơ cấu hoa hồng, khởi động cuộc họp bán hàng thường niên sắp tới bằng cách vạch ra cơ cấu mới
  - Phải đề xuất với ban giám đốc để giảm hạn ngạch
  - Sẽ nêu bật tổng gói phần thưởng



# GÓI PHẦN THƯỞNG PELICAN

01

Mức lương khiêm tốn, xe ô tô của công ty và các quyền lợi đầy đủ (một số người tốt nhất trong ngành)

02

Trả hoa hồng dựa trên việc nhân viên bán hàng vượt qua tổng doanh số năm trước của họ

03

Hệ thống phần thưởng leo thang sẽ có hiệu lực sau khi đại diện đạt 80% hạn ngạch

04

Các cuộc thi bán hàng liên quan đến việc bán các loại thuốc có lợi nhuận cao nhất của công ty

- Phần thưởng thường bao gồm các chuyến đi hoặc hàng hóa

05

Đại diện trung bình chỉ đạt được 75% hạn ngạch

- Đại diện không kiếm được hoa hồng

06

Những người kiếm được tiền thưởng thường chỉ là một vượt quá hạn ngạch vài%, do đó, kiểm tra hoa hồng là biên

Hạn ngạch do hội đồng quản trị đặt ra và dựa trên tổng chi phí hoạt động của công ty và các cổ đông thu nhập mong đợi

# RESULTS ANALYSIS



# PROBLEM

- If Pelican were a low-cost, generic pharmaceutical company, how would you as a sales manager reward and motivate sales representatives?

## SOLUTION 1

- Some directors of smaller sales companies often reward and motivate sales reps and will ensure profitability for the company. off different bonus ladder for representatives and salespeople. This will be able to ensure that the employees of the company can achieve the minimum set of sales returns and it will be fairer when an employee who brings high profits to the company is rewarded. higher and vice versa. The sales department needs to conduct an annual review through a performance evaluation

## SOLUTION 2

- Consider that sales representatives in each region will come up with an optional option so that low demand should be calculated and standardized selling concept is needed to ensure that treat all sales representatives equally, regardless of region, and offer of rewards or recognition programs.

# MEASURES

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✓ The company needs to ensure a balance of the sales reps' lives to retain them longer. A company may offer stock options to employees as they complete certain years in the organization. Ensuring employee retention instead of stock benefits.

□ What other motivational tools could Frank have used to retain and motivate employees other than adjusting the sales quota downward?

✓ In need of leadership development programs, as well as management development programs, that can be used to train employees and also engage employees. Because our employees are also very interested in career development in a company, which can be shown as a way of motivating employees because the career path will motivate them to grow up the ladder. For top staff will have more than just monetary benefits that really appeal to them.



# Question 1 & 4

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- ❑ What problems do you anticipate Frank will run into when he presents his revised commission structure plan to Pelican's board of directors?
- ❑ Identify other areas within the company that will be affected if Frank's plan is approved by the board of directors

If our plan to change the reward policy is likely to be approved at the upcoming annual meeting, it will cause many difficulties because the company's total revenue also will decrease, the company will have lower free cash flow because profits will turn into commissions which will have a big impact on the finance department because they can hardly pay for the departments next to the divisions. R&D and production are affected by receiving lower funding to maintain their operations, and bank loans will also be risky.

# CONCLUSIONS

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- Do you feel the company should have adjusted its commission structure before the patent for its best-selling drug expired? Is it fair to penalize the sales force with lower commissions for an outside competitive factor they cannot control? Explain your answer

1

## Adjusted its commission structure

Adjusting the commission policy. The first priority of the business should be the employee because when we retain many high-level sales representatives, the company's profit will also be maintained stably, although the profit after the thing will decrease compared to this moment but this is a long-term solution for us at the present time.

2

## Penalize the sales force

It's not fair to lower the sales rep's commission because of factors beyond their control. That's because sales forces should be motivated from time to time to face various challenges. They should be inspired about every initiation and the steps they take to move towards the growth of the company. The strategic decisions that must be made are the responsibility of the leadership and management team, but sometimes we need to make decisions that benefit both sides.

# THANKS!

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Do you have any questions?



**Blockbuster drug:** is a very popular drug that generates annual sales of \$1 billion or more for the company that sells it and are used for common ailments, such as diabetes, cholesterol, high blood pressure, and cancer, that many individuals face, such as common blockbuster drugs are Vioxx, Lipitor, and Zoloft.

**Thuốc bom tấn:** là một loại thuốc rất phổ biến tạo ra doanh thu hàng năm từ 1 tỷ đô la trở lên cho công ty bán nó và được sử dụng cho các bệnh thông thường, chẳng hạn như tiểu đường, cholesterol, huyết áp cao và ung thư mà nhiều người phải đối mặt, chẳng hạn như Các loại thuốc bom tấn phổ biến là Vioxx, Lipitor và Zoloft

