



You reap what you pay

WHEN WE QUESTION retailers on what is the single greatest challenge, the response is often: 'complaints about their staff.' Time and time again, business owners question the loyalty, ability and motivation of their team members. Business owners continuously go out in search of new customers through advertising, but forget to keep their team happy with incentives.

Our question to retailers is this – what are you doing to get your team motivated? Retailers measure their employees' productivity through cost per labour hour, sales per labour hour and mystery shopper reports. They then use this information as justification to cut back the hours of casuals because times are tough.

Then they ask themselves "Why are my sales so bad?" Maybe it's because you don't see your employees as an investment, but rather as a cost. An easy formula to remember is that higher wages equates to higher productivity.

With the new industrial relations laws, a few 'cowboys' are getting excited about the possibility of reducing wages. If you go ahead and reduce people's wages, how do you think your staff will perform?

What would happen if you were to introduce a commission structure, profit share or bonus program. Do you think this would change your team's motivation? From our experience with one retailer, the conversion rate (the number of people who walk in the store that are converted into sales) increased from a miserable 11% to 21% in one day! Just through introducing a commission structure.

Retailers spend thousands of dollars on advertising to get leads. Why not invest that money in improving your

conversion rate, increasing average dollar sales and improving customer loyalty?

Seven tips to getting more out of your investment in people

- 1. Instant gratification:** Make sure that, whatever incentive program you put in place, it is paid at regular intervals, preferably at the same time as the wages are paid.
- 2. Parkinson's law:** Instant gratification is great because, under Parkinson's law, the 'more you earn, the more you spend'. When your team member gets an increase in pay, guess what – they spend it! So they enjoy the new lifestyle with all of its trappings and are motivated to earn more money to support it.
- 3. Set key performance indicators (KPIs):** Don't give money away without some simple guidelines. Remember an increase in pay should equate to an increase in productivity.
- 4. Communicate results openly:** Don't be afraid to promote healthy competition within your store. Post the results up where everyone can see them. People get motivated by their position on the ladder.
- 5. Ensure you have the right culture:** There are going to be some 'Sales Sharks'. To counter this, ensure you measure people not only by their results, but also by their contribution to the culture.
- 6. Put the team before the individual:** If you have a gun salesperson that is bringing down the morale of the store, redirect, counsel or remove that person.

- 7. Review and change if necessary:** Every strategy that you put into place should be reviewed for its ability to achieve results. If you are not getting the return on investment from the program that you have introduced, don't stop rewarding people; find a new program that will inspire people.

Reward for profit

Your income comes from the profits that your business generates. So if you want to align your goals with motivating your people, try to pay people for increases in gross or net profit. If you pay for sales alone, this will lead your team members into the temptation of discounting to get the sale.

Here's an example: if a team member is paid 2% commission on sales, and they discount a \$1000 item by 10%, it only hurts their pocket by \$2, but you have lost \$100 in set margins. You have to get the motivations aligned, so that it can be a win-win situation.

If you don't believe in the principle of paying your people more, go to Harvey Norman, Good Guys or Athletes Foot, and ask yourself: why are these guys so successful? Because they pay for it! It's called the law of abundance. The more you give, the more you receive. ●

■ **Tony Gattari is the Managing Director of the Achievers Group. He built Harvey Norman's computer business from \$12 million to \$565 million in nine years.**

**Website: www.achieversgroup.com.au
Email: tony@achieversgroup.com.au
Tel: (02) 9440 7373.**