

Advertising Sales Tips

IDEAS FOR ASSOCIATION PUBLISHERS

Is Your Sales Commission Plan Working Against You?

I was recently speaking with an association publisher who told me that she was considering replacing the advertising representative firm she had been using with another. As we got into more detail, she revealed that the firm had been successful in building and maintaining her organization's print advertising business, but had not been successful in building her online advertising and that she felt that a company with more experience in selling electronic advertising might better assure that her total revenue goals were achieved. Then we discussed her goals and the structure of her relationship with her current sales organization.

Like most advertising representative relationships, this association was paying the firm 20% of net revenues. I asked what her average page rate was and she revealed that it was \$8000. When asked what the rate was for an online ad, she indicated that it was \$2000. Then I asked her to do the math: 20% of \$8000 = \$1600; 20% of \$2000 = \$400. Where did she think her commissioned sales team was focusing its efforts? On the sale that would generate for them the highest commission. I then suggested that she do something radical: Continue to pay the current firm a commission of 20% on print products, but increase the commission on electronic products to 50% (yes, 50%). Look what happens when

you recalculate the math: The firm still earns \$1600 on the sale of a print ad, but now earns \$1000 on the sale of a web ad. Suddenly, the sales staff sees there is a larger incentive to now sell web advertising. The problem was never with the quality of the firm's work, only with the

structure of their compensation program. And isn't that association better off keeping 50% of \$2000 rather than 80% of \$0?

The truth is that the traditional 20% commission is figured as part of the overall cost of producing a print product. Those costs include printing, postage, paper, etc. and the profit margin on an ad is relatively small (depending on where the ad is placed and the imposition planning). However, the profit margin on a web ad is much different. There are little if any direct production costs, so even paying a commission of 50% on an electronic ad should still generate a profit from the sale of that ad.

A sales compensation program should be a tactical management tool that drives the sales staff to deliver the results you want. Want new advertisers? Pay a higher commission on new business than you do on the renewal of existing business. Want to attract a new category of advertisers? Pay a higher commission on ads sold to companies from that group. Want to cross-sell multiple products such as print, web, and face-to-face?

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Commission Plans (continued)

Pay a bonus commission when a multi-media package is sold. Do you have per-issue revenue goals? Pay a bonus when those goals are exceeded, or pay a smaller commission until those goals are achieved. Use the structure of your compensation program to incentivize your sales staff to deliver the results you want. Commission plans are owned by the publisher and should

be used to reward the sales staff for meeting your goals and objectives.

Like it or not, sales people are motivated by money and they go where the money is. Put that motivating force to work for you rather than against you. Your revenues will increase and your goals will more easily be achieved.

Why Advertisers Stop Buying Space

What would you do if you got laid off from your job today? You would do everything you could to conserve your cash so that you would have the money available to pay your bills. You would stop going out to eat; you would stop shopping for clothes and other items; you would cancel vacation plans; you would stop using your credit cards. You would do everything you could think of to hold on to your cash so you have as much of it as possible to meet your obligations until you found another job and your cash flow once again improved.

Businesses are no different. When an economic downturn reduces a company's sales, most companies react in nearly the same way as if they, too, were "laid off." They do everything they can to conserve cash so the company can survive until sales improve. They look for the most cash intensive expenses which can be reduced. In many cas-

es, this translates into staff layoffs because that has the effect of nearly immediate major reductions in cash expenditures. They next look at other areas which can be reduced to conserve cash and one of the most obvious is to reduce or cancel advertising and marketing purchases. These companies will say that the reduction in their sales puts them in the position to have to reduce advertising expenses because they don't have the money to pay for them. In the short term, this is true.

In the last downturn, I remember speaking to a major supplier of a product utilized throughout the industry. He cancelled his advertising and told me that he had a warehouse full of products that were not selling and until he could convert those goods to cash, he had no way to pay for any advertising. I, of course, told him that the best way to empty his warehouse was to advertise the products, but his response was that no amount of adver-

tising was going to increase demand for a product that was not being utilized because of the financial health of the industry he served. But, what was he doing to assure that once the economy improved, his product would be the first ones purchased?

The answer to this question is the role that advertising plays today. For those selling advertising space, the pitch is no longer about utilizing advertising to sell products or services. It is about companies advertising to maintain brand awareness, increasing their visibility, and helping them retain market share when the cash flows once again. By rethinking your advertising sales strategy, you will be in the position to regain the ad dollars that have been lost and will be the publication of choice for industry suppliers when they once again have the financial ability to purchase advertising. So, don't stop selling. Sell harder by delivering a different message.

Advertising Sales Experts, Inc. offers several services, each designed to develop and maximize non-dues revenues for associations and professional societies. Our services include: print and web advertising sales, exhibit sales, sponsorship sales, and technologies that support those products including virtual trade shows and video production. Call today to set up a meeting to discuss your organization's revenue producing products and how we can partner with you to maximize the revenue each generates.