

# **QCommission Sample Plans**

## **Reseller Business**

### **Introduction**

Resellers are firms that are in the business of reselling products to end consumers. They can source the products from manufacturers, wholesalers and distributors (generally Providers). Resellers perform an important role in the supply chain of products between manufacturers and consumers. Resellers are found in almost every type of industry from housing to technology.

Many resellers resell products and in addition provide services such as installation, implementation, service contracts, consulting, etc. These resellers may also be known as Value Added Resellers (VARs). The focus of the reseller is in the direct acquisition of customers through their sales efforts (providers may help) and provision of the provider's products and their services as a complete solution.

Resellers are a cost-effective alternative to provider's direct sales teams. Resellers also tend to provide additional values such as specializing in certain, industry, regional area or customer segment. For this reason, providers provide many programs to make the reseller partnership successful. Other than providing special reseller pricing, programs may include, sales leads, sales support, training, sales commissions, SPIF's, etc.

### **Services**

#### **Vendor Product and Services Sales**

Resellers provide a certain expertise to their customers. This could be things such as network administration or air conditioning for houses. They complement this expertise by entering into partnerships with manufacturers to sell equipment or services that the provider provides, relevant to their expertise.

Typically they work with multiple providers' products to satisfy the needs of their customers. They may be reselling products or services from the provider. For example, they may resell data and voice lines for telecomm firms such as AT&T.

Resellers are provided special pricing for the products that is significantly discounted from the price consumer's pay. They mark up this provider's price to their consumers and the difference is typically the income they make on the product. Especially in the case of providers' services that are being resold, it may not be so easy to get income for the service sold at the time of the service. Sometimes the provider collects revenues related to the service and periodically calculates and remits the appropriate income to the reseller.

## **Reseller Services**

The expertise that the reseller brings translates to services being provided to the customer. In the case of most equipment that is being resold, the reseller's services are typically installation and implementation services. Some examples of installation services are Solar systems, Air Conditioning, Security Systems, etc. Examples of implementation services are Network Systems, Application Software, Construction Projects, etc.

In addition services could include pre and post implementation consulting, review, audit, warranty and maintenance. These services could be charged as fixed amounts or an hourly basis based on the number of hours the reseller staff are involved in the project.

## **Staff**

The following staffs are typically paid sales commissions and incentives in this business

- Sales Reps
- Consultants/Implementers
- Project Managers
- Sales Managers

Sales Reps have customer-facing responsibilities. They sell to existing customers, engage and bring in new customers; they work with the customers to craft solutions and provide price quotes and proposals. They close sales and get projects started. Sales reps may be employees with 100% sales commission or a combination of salary and commission. Sometimes sales reps are external agents.

Consultants and implementers are responsible for implementing the products for the customer and to provide other related services. They are typically salaried employees and get most of their compensation as salaries. They may also get incentives based on their hours of work. Sometimes even the implementers can be external agents, such as installers in home construction related businesses.

Managers may get overrides on their subordinates' sales or their territories' sales.

## **Commissionable Transactions**

Orders are taken from the customer by the sales rep. If the provider's equipment is available in inventory it may be supplied to the customer, if not, Purchase Orders may be raised against the provider. Once the product is shipped/provided to the consumer, Invoices are generated to the customer by the reseller.

Commissions and incentives are typically paid based on the invoices to the customers at the time of the invoicing. Some firms do not pay commissions until payment is received from the customer for the invoice. Invoices typically include line items for equipment, reseller services, shipping and taxes.

Alternatively, resellers may facilitate the customer's direct ordering of equipment from the provider. This information is tagged with the reseller's identification. The reseller has an incentive agreement with the provider to cover these orders. The provider then has the responsibility of passing the order information as well as the calculated incentive to the customer. This is very typical in the case of telecomm resellers, for example. In this case, the provider supplied transactions serve as input to calculate commissions for the reseller's sales staff. Shipping and taxes are normally non-commissionable.

## **Sales Commission and Incentives**

Some firms pay commissions based on total invoice revenue. In other cases, commissions are paid on Gross Profit. Sometimes incentive are provided for number of units sold of certain products.

Gross Profit can be calculated in a few different ways. If the firm raises purchase orders for items it is reselling, then Gross Profit is determined by looking up the cost on the associated Purchase Order for every Invoiced item. Alternatively, Estimates or Sales Order are used to identify the cost and calculate Gross Profit. If there are no Purchase Order or Estimate entries, Cost can be used directly from the Inventory Item List.

For provider equipment, the cost from the purchase order or inventory is subtracted from the invoice sales amount to determine Gross Profit. In the case of services, gross profit may be determined by subtracting a fixed hourly rate from the billed hours revenue. In the case of transactions with pre-calculated incentives coming from the provider, the sales reps and the firm typically split the pre-calculated incentive amount.

Sales reps are typically paid commissions on Gross Profit on product and service sales. They could be also paid commissions on Sales revenue. Sales Reps can be associated with certain customers or customer projects. Consultants/Implementers are typically paid on service revenue or service Gross Profit after deducting costs.

Commissions are typically paid on a periodic basis such as monthly, bi-weekly, etc. Additional bonuses may be paid in the same periodic basis or could be quarterly, annual and others.

A special type of incentive that is seen sometimes in this business is the SPIF (Special Promotion Incentive Fund). Firms typically conduct many SPIF's during the fiscal year. SPIF's are designed to push specific products and services for short periods of time. Incentives are tied to these product sales during that specific period of time.

Draws and Guarantees are also common in this business, especially for new sales staff.

## **Plans**

These plans demonstrate various features of the QCommission product used in the Reseller business. These plans are not intended to be comprehensive; they demonstrate the suitability of QCommission for similar plans.

### **Sales Rep Plan**

This plan is applicable to Sales Reps in the company. They are paid commissions on gross profit and revenue.

### **Product Gross Profit Commission**

This incentive is paid every month. Commissions for product sales are paid using this incentive. Commissions are based on gross profit for the product. Commission rates are different by product group.

<b>Product Category</b>	<b>Commission Rate</b>
Computer Equipment	10%
Network Equipment	8%
Building Equipment	5%

### **Service Sales Commission**

This incentive is paid every month. Commissions for reseller service sales are paid using this incentive. Commissions are based on service sales revenue. Commission rates can change by total monthly service sales.

Commissions are paid for each individual transaction based on the transaction's attainment against performance tiers. An individual transaction can cross one of the rate thresholds and be eligible for payment under two ranges (threshold matrix). The payment calculation should be able to handle this.

<b>Threshold Range</b>	<b>Commission Rate</b>
0 – 24,999.99	3%
25,000 – 49,999.99	5%
50,000 – 74,999.99	7%
75,000 and above	10%

### **Consultant Plan**

This plan is applicable to Consultants/Implementation specialists. The incentives are paid on billable hours as well as service profit.

### **Service Gross Profit Commission**

This incentive is paid every month. Service revenue is available on the invoice transactions. The incentive calculated profit by deducting a flat hourly rate out of the service revenue and then pays commission on the incentive.

Hourly Cost : Associated with individual consultants

Commission Rate: 15%

### **Monthly Billed Hours Incentive**

This incentive is paid every month. Based on the total number of billed hours a flat bonus is provided.

The Consultant gets a bonus for total hours billed to the customers at the following rates:

<b>Billed Hours</b>	<b>Rate</b>
0 - 99	\$0
100 – 139	\$250
140 and above	\$750

## **Sales Manager Plan**

This plan is applicable to sales managers. They get credited for all revenues that their subordinate sales reps make. Their commission calculations are different for those credited transactions.

## **Sales Manager Override**

This incentive is paid every month. Sales managers are paid an override of 1% on their sales people's product and service sales.