<u>SPIFFS & BOGEYS: Another Language?</u>

Ask a group of business professionals to describe a SPIFF or Bogey and you will probably get all kinds of answers. "What is it and if I have it do I need to see a doctor?" "Is bogey a golf or a military term?" How about neither! In sales circles we may have heard or even used these terms and to the non-sales professional it can make as much sense as a babbling toddler. Hopefully in this article we can discuss what these programs are and more specifically how they can be utilized in driving our sales initiatives. SPIFF is an acronym for **S**pecial **P**rogram **I**ncentive **F**und. Why there is an extra F in the word SPIFF is one of life's great mysteries – much like the building of the pyramids or Atlantis. Bogey as it is used in sales terms is a target or measurement in the sales environment. For our sake we will use them synonymously.

It is up for debate how many distributors/manufacturers use these types of programs to drive sales. When they are planned and orchestrated, SPIFFS/Bogeys are extremely effective in helping direct our sales efforts. These programs can be built around product(s), product groups or even client types. You may have "run" a program in the past to some degree of success. Or, more than likely, a manufacturer may have run a SPIFF and included a distributor as part of that program. In either case one might question the *strategy* of the implemented program.

Prior to running a program one key question we need to answer is "What is our desired result?". I know this sounds basic – but so is the majority of business. Our business isn't necessarily about being the most "sexy"; it is about being extremely intentional in our actions. You might be familiar with the card game Texas Hold'em or the World Poker Tour on television. It is certainly riding a wave of popularity in our country! Even if you haven't played or seen the game, you may be able to answer the following questions: What would you say the goal is of a player entered into the World Poker Tour? A basic question and probably quite easy to answer! The **goal** is to be named the World Poker Tour Champion. See that wasn't very difficult, let's try another one. This one may be a little more complicated: What strategy would a player utilize in achieving the goal? The **strategies** that can be employed are many and might involve bluffing early to establish a pattern or betting late to run opponents out. Now for the final question and more specific to the playing of the card game: What about tactics, what kind of tactics would a player use in the World Poker Tour? The **tactics** might be the specific steps in playing a low pocket pair or attempting to "read" an opponent. All this to say is that the best card players have alignment between their tactics, strategy and goal.

Now as far as programs go, do these tactics (SPIFFS/Bogeys) align with our other tactics, strategies and goals? One of the major disconnects that I see frequently in business is lack of alignment in tactics and the company goal. A great place to begin any program is in answering the following question - **How** does this SPIFF align with our overall goal? For example, affecting top line growth and margin growth are two totally different animals and as such would give way to different tactics in accomplishing the goal.

Once we have established alignment, most Programs need several caveats. I've tried to list some of the key caveats that have plagued businesses in the past. First and foremost, make sure the program is a win-win. Nothing will kill morale more quickly than a program that is not fair to the employees or one that does not address company return. Programs need to be carefully planned and orchestrated in order to provide potential incentive to the employee and long term gains for the company.

Good SPIFF programs have a beginning and ending time. If the program does not have a beginning and ending period it is more than likely a permanent commission program. SPIFFS will typically last anywhere from 30 days to 3 months. The determining factor is the sales cycle. Make sure the time frame matches the sales cycle. The longer the sales cycle the longer the program. Additionally, provide adequate time for employees to understand the rules and make plans to fully participate. Building anticipation of the start date is a great way to motivate our sales force.

Great programs clearly lay out any minimum level of achievement. For example, is there a minimum level of overall achievement for the group in order to reach payout or award status? In these cases, prior to any payout, the group must hit a minimum overall level of achievement. This single fact can aid significantly in bringing together a sales effort - especially if we are attempting to drive both the inside and outside sales forces.

SPIFFS are best run independently of each other. Make each program a very concerted effort. That is what makes it a unique program and allows for products or client types to be targeted. I would suggest running no more than three per calendar year. This allows for a concentrated endeavor. Also it allows for a rest period between programs so (1) it does not become an expectation, and (2) efforts can be extremely directed. Additionally consider the cyclical nature of your business and run SPIFFS in the "valley" periods to enhance financials.

In order for a program to affect individuals to make changes in behavior, the program must offer payouts or rewards that are substantial enough to gain individual's attention. Consider non-monetary awards for SPIFFS. Several that I have run in the past have been on a semi-competitive basis. One program that yielded great success was in a hand tool line. At the time I had about 40 sales professionals covering the state of Texas. In order to have payout of the awards the group had to sell $ 150 k over a 3 month period of the hand tools. This was a brand new line for us and we had no previous sales. Individually the sales professionals were paid a rate of 1.5 times their normal commission rate on each of the product sales. This provided individual incentive to drive sales. However the larger part of the program was the placement awards. The prizes for 3rd place was a $ 500.00 bonus check and a complete set of home tools, 2nd place was $ 1000.00 and a set of home tools and the 1st place prize was 2 airline tickets anywhere in the United States and $ 1000.00 cash for the trip. Needless to say the competition was fierce. The program results were 3 month sales of a new line of hand tools of $ 190 k – subsequently, annual sales of the hand tools were $ 600 k. We organized the SPIFF to coincide with our annual sales meeting. This meeting was usually several days and concluded with a dinner for our sales professionals and their spouses or significant others. You would have thought it was the Academy Awards when we announced the winner. We had the tool boxes shined up and highlighted on stage and big checks made up for the event. It was a great evening and a true win-win!

The final caveat is to consider developing a program with a manufacturer/ distributor. In the above case, our tool manufacturer underwrote about 40% of the prizes and the award dinner.   They got a much needed push of their product in the state and some great publicity from 40 sales professionals. In working with a manufacturer/distributor I would caution you to look for alignment of goals. Just like the first caveat, the program needs to be win-win between companies and the individuals in each of the companies.

Don't be afraid of venturing outside your normal compensation program to run a SPIFF. Additionally, SPIFFS can be developed for non-traditional commission positions in our companies. This is the "fun" part of business so try and make it as enjoyable as possible. If I can be of help please call or email. Remember, business isn't for the faint of heart – it is hard but rewarding work! Hard work pays off!