

Sales Manager Meeting

Case Study Sample 207.02

You are the sales manager for a \$20-million advertising sales division of a \$650-million Utah-based company. Although small at the moment, this four-year-old division is the fastest growing in the company's history.

Because advertising sales was a new venture for the parent company, the division was started using independent contractors as sales representatives.

Currently, the six independent sales contractors receive commissions of 5% to 7% (depending on what they negotiated individually when they started their jobs). The company pays their travel expenses, provides administrative staff at the home office and gave each of them a small allowance to set up an office at home. These independents live in different areas of the United States—two in California and one each in Florida, Ohio, Minnesota and Utah—allowing them to prospect over a nationwide territory. Their annual individual sales range between \$1.5 and \$2.8 million and account for \$13 million of the division's total advertising sales.

Six months ago the company decided to begin employing full-time sales representatives. At first they were only to handle "house" accounts—clients and revenue generated by other divisions in the parent company. Two weeks ago, one of these new sales employee closed a \$400,000 deal. One of the independent sales contractors had been prospecting this client for over three years without signing the account.

The company's position is that an account is not a client until someone has a signed agreement. The general manager did say he would consider establishing "protected" territories for both the independent contractors and the employees to prevent this from happening again.

Further, your supervisor told you yesterday that expenses are out of control. The six independents average \$25,000 annually with a high of \$32,000. Because of the division's success, additional benefits have been given to the independents, including trips, dinners out and an annual summer meeting at a resort that included their families. He said the company would rather raise the commission rates and have the independent contractors start paying and tracking their own expenses.

YOUR CHALLENGE

You will be meeting with the independent contractor(s) selected to represent the group. Motivating this group is critical since their success also significantly affects your pay.

You must present a plan that will address, at a minimum, the territory issue and escalating expenses. They also need to understand that if things don't change, they could be out of jobs or, at the very least, lose the freedoms they have enjoyed as independent contractors.