

# Compensation Plan Issues

## Key Issues

Here are some of the issues that need to be addressed in the compensation plan documentation.

- What constitutes a 'sale'?
- When is the salesperson credited with a sale:
  - upon receipt of the purchase order or contract,
  - upon delivery,
  - upon invoicing,
  - upon payment?
- When are commissions due?
- When are commissions paid?
- Will you provide a draw for salespeople on straight commission? If so, how much and under what conditions and terms?
- What type of draw, if any, will be offered:
  - recoverable or non-recoverable.
- What happens if a salesperson doesn't make their quarterly minimum sales target?
- Should quarterly minimum sales targets be seasonally adjusted?
- How are bad debts, refunds, or returns to be handled?
- What happens in the event of a canceled project, sale, or contract?
- Are there to be assigned territories and/or accounts?
- What happens when a salesperson leaves the company? When do commissions stop being owed?
- Do you need arrangements for split commissions? If so, how will they be split?
- In the case where an account is turned over to a new salesperson, how is the former salesperson compensated for residual business that might occur and for how long.

## Additional Issues

Here are some of additional questions and concerns that need to be addressed when developing a compensation plan.

- Is the plan to be tied to gross sales or gross margin?
- What is the desired annual income for a typical salesperson and what sales volume is required to make that income?
- What is the preferred type of remuneration plan:
  - Straight salary
  - Straight commission
  - Salary & commission
  - One of the above plus a bonus?
- How does your compensation plan compare with your competition or similar organizations?