

The Best of Chris Peterson's



# Sales Strategies

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## Target: **RMR**



This exclusive eBook – a collection of the best of columnist Chris Peterson – is a guide for integrators to position their sales teams to hit the bull's eye on recurring revenue sales

**E**very security integrator would like to wake up tomorrow and have a model based on healthy Recurring Monthly Revenue (RMR). Whether the goal is to sell the company, or to grow in a smart and predictable manner, RMR paves the way. So why isn't every company moving to this model? The technology is there, the services are there, and the value to the client is there. So what's the holdup?

The answer is somewhat simple: their sales teams are not selling RMR services. Nearly all of these salespeople have

been developed to sell projects, not services. Everything from the compensation plan, to the quoting process, to the metrics have been set up for project-based sales. Salespeople were recruited and have been rewarded for selling \$75k projects, not \$3k/month managed services. They are masters at proposing the right solutions, and illustrating the technical benefits of the system to the IT and security departments – expecting them to naturally sell the value of a five-year maintenance agreement or shifting their security equipment from an operating expense item to

a finance department one is somewhat unrealistic.

But don't worry – you do not have to get rid of your sales team and start over; and you certainly do not have to give up the large projects that have built your company.

In working with dozens of security integrators as a sales management consultant, Chris Peterson, president and founder of Vector Firm, a sales consulting and training company built specifically for the security industry, has learned what it takes for integrators to tackle the sales process to increase RMR-based sales.



### ABOUT THE AUTHOR

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To request more info about the company, visit [www.securityinfowatch.com/12361573](http://www.securityinfowatch.com/12361573).

# How to Grow RMR Sales

## Three ways to make the selling process easy for your team



I have worked with dozens of security integrators on how to overcome the challenges they face in growing their recurring revenue, and have found one common bottleneck at each organization. Many of them have the right services to offer, some have reasonable and challenging key performance indicators in place, and practically all of them have buy-in from ownership; however, the salespeople simply don't want to sell these solutions.

If it takes double the time to build a quote with RMR, and if your sales team is not sure what hosted access control system they are selling this month, and they are not compensated properly, why would they want to sell these services? Why introduce possible conflict to their customer relationships if it is only going to add burden to their day and not offer a financial reward? Why would they shift away from their comfort zone?

The bottom line is, your salespeople control how much RMR your business generates. Unless you want to fire the whole team and start over, you need to address three common challenges that get in a salesperson's

way when selling RMR. Identify these problems and actions to take to eliminate them, and you will make it easier and more lucrative for your sales team to sell more RMR.

### 1 Make sure it is easy for salespeople to quote services.

In early 2013, I began a "Growing RMR" engagement with a client, and my initial observations concerned me. They seemed to have the right tools with a perfect mix of services to offer, 26 years of impressive past performance, and 100-percent buy-in from ownership.

**On the surface, I couldn't figure out why they weren't successful – then I interviewed the salespeople. The first conversation went something like this:** *"I'd love to sell more RMR, but I never quote services because it takes too long and the system is too clunky."*

I initially chalked that comment up to someone making excuses, as I was not convinced that the quoting system could cause that much of a problem; however, all seven of their salespeople said the same thing – their quoting tool was too cumbersome when they

needed to quote maintenance agreements, hosted services or managed services. I decided to have the sales manager run me through the process, and it was a mess.

Not only did the company learn from those interviews, but I did as well. From then on, I always interview the sales team before doing anything else on a project.

**Identify and measure your problem:** First, look at the last 60 days of quotes and calculate the percentage of quotes that have RMR included. Then, ask your salespeople – don't guide their answers, but ask them why they do not quote more services. If they fail to mention the quoting process, ask how much longer it takes them to add a maintenance agreement or managed services. Finally, build a quote using the same process as your salespeople (many owners and managers have the benefit of being able to "eyeball" quotes and don't use their tools).

**Action Items:** The quoting process could be a bottleneck for one or more of the following three reasons: the human process, the quoting tool or poor sales training. Here are three

steps to take to improve your quoting process.

- **Make the procedures easier.** Sometimes policy gets stacked on top of policy, and the result is an impossible system. If it takes approval from three people to agree on pricing of a maintenance agreement, you are doing something wrong. Examine the procedure with a representative from sales and make it easier.

- **Examine the quoting tool.** If you are using spreadsheets, invest in a system – preferably, a system built for security integrators or managed service providers that includes the ability to easily include RMR line items. If you are already using a quoting system but it is clunky and cumbersome, analyze your investment and determine if it is reasonable to purchase a new system. If not, contact your system provider and ask for support in optimizing the performance.

- **Train your salespeople on the improvements.** Whether you buy a completely new system or simply tweak the procedures, make sure your salespeople fully understand the process. After the training, test their efficiency and coach them on improvements. Think how much more effective your organization would be if your salespeople improved their quoting accuracy and reduced the time required to generate quotes by just 10 percent.

### 2 Give your salespeople a short list of primary services you offer.

I love cheesecake, but I never eat at the Cheesecake Factory because the menu is too large. I do not want to think too hard when ordering my meals. If they had a one-page menu, I would probably eat there every week.

It is the same dynamic with your sales team. One of the first questions I ask when interviewing salespeople is "how many services do you offer that create RMR?" Every time, I get somewhere from 15 to 20 answers across the whole sales team. They might have

a fully customizable maintenance agreement, four access control companies that offer hosted services and remote monitoring of everything. The result: they do not sell any of the services because they do not know what to choose – the menu is too large.

**Identify and measure your problem:** Chat with each of your salespeople one-on-one. Ask them what they have in their arsenal to sell that creates recurring revenue, and get ready to take notes. As they are listing the different services, note any uncertainty and lack of depth in their answers; and note any lack of consistency across your sales team. The answers should be crisp, confident and consistent.

**Action Items:** Narrow down your list of services to five or fewer; for example: a standard maintenance agreement, hosted access control, managed access control and remote health monitoring. Build a one-page document with two columns. In the left column, list your services and include a brief definition of the service. In the right column, list the benefits of each corresponding service. Present the one-pager to the sales team, or have them help you develop the benefit statements – turning the session into a workshop.

The result: your salespeople will fully understand the entire "menu" and will know what and when to sell.

### 3 Pay well for selling recurring revenue.

I recently had a conversation with an owner of a security integration company about RMR. Initially, we were talking about the crazy multipliers that are being applied to valuations of companies based on recurring revenue. Attempting to stress the importance of keeping his customers satisfied, he said "Even that small account that's paying us \$100/month is important. If we lose them, that's \$5,000 out of my pocket when I sell the company."

Less than 10 minutes later we start

discussing commissions for RMR and he was floored by the amount many salespeople make from selling RMR. Even though he knew the value that RMR brought to his company – and ultimately to him – he was reluctant to pay his sales team a reasonable amount on RMR sales. This is a common scenario, and it is killing integrators who wish to grow their RMR.

**Identify and measure your problem:** Open a new spreadsheet. Select 10 to 15 project sales over the past three or four months that did not include any services that create RMR and list them in the left column. In column 2, list the commissions that were paid or will be paid. In column 3, list the commission that would be paid if they included a maintenance agreement. In column 4, list the commission that would be paid if they sold hosted services instead of the traditional on-premise system (video, access control, visitor management, etc.). If appropriate, keep building columns for other services.

Now, compare the numbers – does it make an impact on their wallets if your salespeople add a maintenance agreement or remote video monitoring services? If not, then you have a problem. For example, if a project paid out \$2,500 commission without a maintenance agreement and would have paid \$2,650 with an agreement, you have an issue. Why would your salesperson risk adding any conflict to a job for an extra \$150?

**Action Items:** After understanding where you are falling short on RMR commissions, set aside two to three hours for you, a representative from accounting and your sales manager to modify the compensation plan. If you do not have a sales manager, then invite your salespeople – it is critical to get sales involved in this process. Since it is not wise to change compensation plans in the middle of the year, I suggest you table your solutions until January, but add a spiff or contest and reward RMR sales for the rest of the year. ■

# Selling RMR: Train Your Salespeople



Sales training is an area where you can truly differentiate your company

Two summers ago, I presented the principle concepts to growing RMR to the executives of a large system integrator. After the presentation, I led a roundtable session with the objective of establishing action items. I was full of excitement as we were moving through the necessary items – they seemed to get it. They listened! They embraced the strategic approach! Then my joy came crashing down – we started talking about sales training.

One of their sales leaders proclaimed: “We already have a pretty solid program in place. We send our salespeople to a week-long on-boarding program when they start. We’ve also got a very good sales training program for continuing education.”

Usually, these are magical words to me. On-boarding? Continuing education? Fantastic! However, their programs were aimed at basic sales training and making sure their salespeople followed their process. Don’t get me wrong – it was a good program, but it is not enough to help them sell RMR.

“What about training specifically for your RMR services?” I asked.

Their answer: “We will just bring

in the manufacturers to teach them how to sell their hosted services, and we can do a refresher session on our maintenance agreement.”

Excitement dwindled. Another victim about to spend a ton of resources to get minimal results.

## The RMR Sales Approach

Security integrators have a tough time grasping the need for specific sales training for RMR services. I completely understand – selling these services looks so similar to selling projects that one wonders why anyone would need a different training course. That’s the challenge: realizing that selling these services are completely different than selling projects.

The primary difference between selling these services and selling projects is the approach salespeople take with customers. When selling services, it is *not* about selling benefits – it is all about managing change. Your customers are not used to buying and using these services; they are used to planning a capital budget, planning a project, owning all of their data on their servers, calling you when something breaks and paying for time and material. This is how they have done business forever, and changing is hard to do, regardless of the benefits.

RMR sales training is an area where you can truly differentiate your company from your competition. It is one of those critical elements to success that does not seem important to most groups – and even if it does, many will not take the time to do it.

## 4 Ways to Train Your Team

What can you do? With your crazy schedule and limited resources, how can you train your salespeople to sell these services? Here are four ideas for a security integrator to train their sales team to sell RMR.

### 1 Make the program realistic.

Let’s face it, you are busy. We are all busy, but if there is a single group of people that are over-the-top busy, it is the leaders of security integration companies. Sales training for RMR services is one of those “important but not urgent” items. If you make your plan too ambitious, you will quit after a few weeks and turn your efforts to more urgent (and probably less important) items. Look at the long haul and don’t try to make your salespeople experts in the next month

or so. First of all, they will not absorb it; secondly, you are too busy. Are you sensing a theme here?

**Action Items:** Your RMR Sales Training Program can be built by following the simple steps below. Be prepared to be overwhelmed, but I promise that following these actions will deliver a sales training program to your team that will enable them to sell more recurring revenue.

*Train on one service per quarter.* That’s it. Focus on you maintenance agreement this quarter, hosted access control the following quarter, remote video monitoring the quarter after that, and so on. Create a repeatable training process for each service – don’t force yourself to reinvent the wheel every quarter. Such a routine could look like this:

- Manufacturers (or service managers for maintenance agreements) provide basic training on the service.
- Probing questions for the service that will make an emotional impact on the customer.
- Role playing session #1.
- Case studies. Have one or more of your salespeople share a success story with the team about the service.
- Role playing session #2, and make this session feel like a final exam.

Whatever you built for your process, cut it by a third. It is more effective to perform a three-step process very well than doing a below-average job on six steps.

### 2 Build a list of probing questions for each service.

If I had to name the most common mistake made by salespeople trying to sell new services, I would say that they present the solution too soon in the conversation. They are excited and they are salespeople, so they often jump into “let me tell you about this killer new service that will solve all your problems.” Although I love the enthusiasm, they will get knocked upside the head using this approach.

As stated in the opening, selling RMR services in all about managing change. One of the key factors managing change is to help your point of contact sell your services internally to the other decision makers. The only way this happens successfully is to get your contact emotionally engaged by asking the right probing questions.

**Action Items:** Create a list of typical qualification questions for each service. There is nothing mysterious about these questions – they are the same probing questions you have been asking forever, with the theme of “what’s your current situation?” Limit the list to six questions per service.

• For each “scenario question” listed above, create two to three “outcome questions.” Outcome questions ask “if you do or don’t buy our service, what’s going to be the outcome for you?” These questions need to reach the personal level and help your customers envision how the ultimate outcome affects them.

• Dedicate one training session to presenting all of these questions. You should ask for further outcome questions from your sales team. Get them engaged and make sure they are buying in to the concept.

### 3 Role play.

I hate role playing – really, I hate it. I can speak in front of 2,500 strangers in the most relaxed manner, but ask me to play a role in a conference room with seven of my peers and I am having a panic attack.

No one likes role playing, but everyone – and I mean everyone – benefits from it.

**Action Items:** Do it. Role playing is such an uncomfortable exercise that most managers will just skip past it, but you have to do it. By the way, if you present it to your team in a transparent way and let them know that you are also uncomfortable with it, they will accept the exercise more easily.

• Create three scenarios for each role playing exercise. A scenario can be as simple as describing the contact the salesperson is meeting with, the type of company and situation, and the relationship your company has with them. You then list the goal. The goal could be: convince the customer to accept a meeting with you and your hosted access control provider.

• As the salespeople take turns playing the role of “salesperson,” a manager should play the customer, and everyone else needs to play the role of evaluator. As evaluator, they need to list three strengths and one suggestion to the performer. After each role playing exercise, the manager asks random evaluators to provide input. Don’t assign evaluators – make it random so no one ever knows whether they are getting called on or not. This keeps everyone engaged.

## 4 Get manufacturers involved.

Let your manufacturers know your plan, and ask for their help. Most of them will embrace your request – they love helping their channel partners who get creative. They can provide help in many of the areas listed above, but their main role is to provide the basics in selling their services: pricing strategies, benefit statements, competitive intelligence, common objections, etc.

**Action Items:** It is actually very easy, but you need to let them know ahead of time. Simply tell them which quarter you plan to focus on their service – for example, in Q3 we are going train on hosted video – and check in with them periodically to make sure they are prepared.

• Schedule the time and location, and let them do their thing, but know what “their thing” is ahead of time.

• Make sure they cover the items you need and they do not just pull out their standard presentation. ■

# Selling RMR: Hold Salespeople Accountable

## Four ways to build a company culture for recurring revenue-based sales

**W**hat is the number-one reason security integrators succeed in growing recurring revenue? I've asked this question in front of countless people over the years, and no one has answered correctly – not a single person.

As you are pondering the right answer, let me clarify my meaning of a “security integrator.” I mean a company that sells, installs and services advanced security systems; a company that sells large projects at a high dollar amount – one composed of salespeople that succeed by solving problems for their customers, not by knocking on more doors than their competition. You know these types of businesses – they are usually very knowledgeable and successful companies. Unfortunately, however, many of these companies have built their business around winning large projects but have little recurring revenue to show for it.

Have you come up with the right answer? *The number-one reason security integrators succeed in selling recurring revenue is because their leadership holds the sales team accountable to the activity and performance that leads to recurring revenue.* While changing the compensation plan, delivering sales training and offering excellent ser-

vices are all important, coaching and accountability by leadership is the primary factor that influences salespeople to sell these services.

So, what can you do? With your crazy schedule and limited resources, how can you add “coaching and holding my salespeople accountable to RMR performance” to your schedule?

Here are four ideas for a security integrator sales leader or owner that will help you coach and hold your sales team accountable for increasing their recurring revenue sales, along with action items to help you get them accomplished:

### 1 Develop the right metrics and goals.

Everyone has metrics and key performance indicators that are measured; however, many of you do not track activity or performance related to growing recurring revenue. You track metrics that lead to project sales and you are probably doing pretty well selling projects; so why aren't you tracking activity that leads to RMR? Many owners and managers don't really think about it or know where to start.

What are the right metrics for RMR? It can be as simple as tracking the amount of recurring revenue that has been sold and quoted. You

can also track the amount of each service, such as managed access control, hosted video, maintenance agreements, etc.

What are the right goals for each metric? If these goals are not realistic and meaningful, then they will not be effective. Use historical data to help you determine how much each metric's goal should be. If you have the data, break the goals down to being unique for each person. Some people will be strong at gaining interest for a quote, while others will be strong at closing. Understanding these ratios and breaking it down for each person is a powerful act; however, make sure it is not a project that takes weeks to put together. If necessary, wait a year or so to get the right data.

**Action Items:** Determine two to three metrics that will help you predict the RMR sales performance of each salesperson on your team.

- Using historical data, calculate the right goals for each metric as a function of the overall quota.

- If you have the data, break these calculations down to each person. Some will have higher goals for outstanding quotes than others, depending on whether they are strong closers or prospectors, or both.

### 2 Make the reporting easy.

While there are many reasons you might not be tracking metrics that lead to recurring revenue, it is mostly because you are overwhelmed and wearing a dozen hats. So are your salespeople – most of them have to balance prospecting, networking, managing current customers, putting out fires, etc.

Both of you are too busy to have to consider a complex reporting system. Make this process easy for you and for your salespeople.

**Action Items:** Make sure the reporting required of salespeople is reasonable. Ideally, the reporting on this activity is merely an output

of meaningful activity by the salespeople. If you don't have a system in place that allows you to track opportunities, then invest in one. If that's not an option, then create a mechanism that keeps the salesperson from being in front of a Word document for three hours per week, which is unreasonable and ineffective.

- Make sure the reporting process is easy for you (management). If you have to spend six hours every Saturday merging several documents and doing the math manually, you have to stop. Devise a process or mechanism to help you bring together all the data in one easy format. If you are spending more than 30 minutes per week generating reports from your sales team's activity, then you need to change your system.

### 3 Create a company-wide buzz about RMR.

The best way that leadership can hold their teams accountable to any goal is to create a culture in which the entire organization is holding each other accountable. Think about some of the most effective sports teams and their culture – it is not just the head coach that is holding the players accountable, the players on the great teams hold each other accountable as well. It is the same with RMR; in fact, it is even more important because most of you have a culture of selling systems and projects, not services. To shift that mentality, there needs to be a company-wide buzz about RMR.

What does that look like? Scenario: A salesperson returns to the office with an order for a \$90,000 access control project with a key customer that she just stole from your biggest competitor. How does your organization react?

- a) Ecstatic because of the \$90k order.
- b) Happy because you won a new customer from your competition.
- c) After congratulating the salesperson, she is asked how much RMR was included.

“ If you are **spending more than 30 minutes per week generating reports** from your sales team's activity, then you need to change your system. Devise a process or mechanism to help you bring together all the data in one easy format.”

For most, the answer is either (a) or (b). If you really want to hold your salespeople accountable to selling recurring revenue, then (c) has to be included somewhere. You must drive a culture throughout the organization that RMR is critical to the success and mission of your business.

**Action Items:** In your next company-wide meeting, devote the entire time to your RMR growth initiative (assuming that you have already defined this initiative). Ask the whole company for help, and let them know why it is so important to your business and to them.

- Post RMR metrics around the office. I love the idea of posting a scoreboard of individual performance. If you aren't comfortable with this, then post the team performance against the previous month or year.

- Always ask about RMR – make it a primary point of discussion in every sales or one-on-one meeting.

- When a salesperson or the team hits a milestone (e.g. \$100k of new annual recurring revenue for the current year), throw a celebration for the whole company. It can be as simple as a pizza party or limited happy hour at the office. Allow everyone to benefit from these wins.

### 4 Coach each person, don't simply manage the team.

If you ask anyone that has succeeded in any venture, they will likely talk about one person who helped them. One person who coached them. One person who rolled up their sleeves and worked with them to make them

better. If you want your team to increase their sales of RMR, then you need to work with each individual.

It might seem daunting to add one-on-one meetings to your weekly schedule, but you can make it work. Below are some ideas to shifting from team management to individual coaching.

**Action Items:** Reduce your team meeting frequency to monthly. Many of you have weekly sales team meetings. During your next meeting, look around the room and observe the team's engagement level – what do you need to talk about every week that cannot be covered in a monthly meeting or in other settings? Most weekly sales meetings are catch-all sessions and pipeline review discussions that leave 80 percent or more of the audience bored. Reduce these to monthly and you will have a very happy sales team that will be more engaged in the sales meetings.

- Schedule one-on-one meetings at the preferred frequency per sales person. Each of your salespeople are different. Set your meetings according to their individual needs. Of course, you will have to work with them on the frequency or you may end up meeting with a few twice a year and a few twice a day. There is a happy median in the middle.

- Include RMR activity and performance as an agenda item. Dig into the data. Don't just say: “you've got to get those numbers up for hosted video.” Roll up your sleeves, turn off your phone, and use the best four words in sales leadership: “let's figure it out.” ■



was sitting on the line listening to a client's pipeline management call when I could not hold back any longer. My role was to observe the format of the call and determine ways they could improve. The client, a security integrator, had just started promoting a hosted access control service about a year earlier, and I kept hearing the same strategic theme from the manager: "Let's bring in the hosted services to differentiate ourselves."

Over and over again, he preached about their hosted services as being the savior to closing the sale. After I heard this about three times, I had to interrupt – even though my mind was screaming for me to shut up. After all, my objective was to assess the format of the meeting, not the content, but I couldn't help it.

The integrator kept committing one of the most common mistakes in selling hosted services – or any services that may be different to your customer: They were trying to sell the benefits of the service before teaching the customer about the service.

A large majority of your customers will not move forward with a new service without being educated. Regardless of the benefits offered, they will stay with the services and technology that they have been using forever. Selling is hard, but managing change is harder. When you attempt to sell hosted or managed

services to new customers, you are managing change.

Make sure you proactively teach your customers about this change now, months before a potential opportunity – if you wait until the proposal is due, then it will be too late.

#### How to Teach Your Customer

The first step is to select a topic that will interest your audience, position you as an expert, and help you sell more RMR services. For one year, educate your marketplace on this single topic – examples may be hosted services, managed services, long-term maintenance agreements, etc. Unless you have a unique message or lesson, try to avoid commodity services like alarm monitoring or tests and inspections. Above all, make sure your topic is relevant and interesting.

After selecting your topic, you must deliver the education material to the audience in various methods. Some customers like to meet with salespeople; others like to attend events; and some would rather just read the information. By delivering your content in different ways, you will eventually touch each of these people in their preferred method of learning.

Here are five ways to teach your customers about the services you provide that generate recurring revenue, and become the perceived expert along the way:

## 1. PERSONAL MEETINGS

There is no better way to teach your customers than meeting with them in person. Your presentation could be to review a whitepaper, presentation deck, case study or article. The goal is to teach your customer – not to sell them. A good session could be "The pros and cons of managed video monitoring services."

**Action item:** Select your top 20-40 clients and prospects, and set a goal to meet with each in the next year and deliver an educational presentation on your topic.

## 2. PUBLIC EVENTS

Some customers will not make time to meet with you, but they will attend a public event – especially if food or drinks are being served. A public event could be an open house at your office, a reception at a country club, or a luncheon at a shooting range. Try to mix in some fun with the education. For example, you could ask the country club's golf pro to give a 20-minute lesson before you and your team deliver the educational program on your topic. Finish by offering an hour of free range balls.

**Action item:** Plan a public event three to five months after you launch your teaching campaign. This will give you enough time to plan, but will make it official since you will have a date. In fact, insist on paying a deposit to the location – this act will really commit you. If you can involve a manufacturer partner and not dilute your perception of expertise, they are likely to pay for most of the event.

## 3. PUBLIC SPEAKING

Want to increase your IQ by 25 points? Speak in public! Of course, your IQ doesn't really increase, but the perception of your expertise skyrockets. If you can be a regular on the speaking circuit at civic organizations, professional associations, and other meetings where potential customers and influencers are, then you will create a reputation of being a subject matter expert.

**Action item:** Identify three groups that have regular meetings and need speakers, and reach out to the coordinator. You will be surprised how happy they will be to hear from you, and they are always looking for speakers. Make sure the audience is composed of potential customers or influencers.

## 4. ARTICLES & WHITEPAPERS

Customers that never agree to see you usually love reading helpful content on their own terms. Don't act like every other salesperson and insist on presenting in person – instead, tactfully send substantive material on your topic. Whitepapers, case studies and articles relevant to their business will be appreciated – whether they ever thank you or not. Remember, our goal is to teach customers and become the perceived expert.

**Action item:** Once you know your topic, research and find at least two articles and one whitepaper to share. As you move through your education campaign, you will find more and more pieces to send to your customers. Don't become a pest – if you can drop them a link to helpful content once every month or so, your customers will become more and more educated on your topic, and you will be the one who is teaching them.

## 5. SOCIAL MEDIA

If articles and whitepapers are the destination for your customers, then social media networks are the modes of transportation. For every five-page whitepaper, I can find 20 teaser posts on LinkedIn or Twitter. You need to have the capability to provide a hyperlink to your article or whitepaper, and it is ideal to include it on a section of your own website. Example posting: "What is the number-one challenge of remote video monitoring? Click here to learn."

**Action item:** Select two to three social media channels to share your knowledge with your customers, such as LinkedIn, Twitter, Facebook, specific LinkedIn groups, etc. ■



# Sales Compensation

## How to properly pay your salespeople for selling services without ignoring traditional system sales

**C**reating a sales compensation plan to incentivize traditional security sales professionals accustomed to selling “large systems” to convert to a Recurring Monthly Revenue (RMR) model can feel like playing a game of Whack-a-Mole. Once you solve one problem, another one pops up.

Most business owners and leaders are interested in increasing their RMR, but they do not want to lose what has made them special – the ability to sell and install large systems. Although they want their salespeople to start focusing on the services that create

RMR, they know they cannot lose sight of the large projects. And therein lies the challenge – how to properly compensate salespeople for selling services without sacrificing project business.

Since we started Vector Firm in 2010, we have faced this challenge with dozens of our clients. I admit that I became the unofficial world champion of Whack-a-Mole during the first few projects; however, we have come to a pretty stable conclusion on general concepts and best practices to developing a sales compensation plan that aggressively rewards RMR sales results, while not losing focus of system sales.

Over the years, I have formulated

four best practices to developing and deploying sales compensation plans for RMR sales. These best practices are built specifically for a security integration company that typically sells and installs systems to commercial and government facilities.

When put into action, these best practices will shift a sales team’s behavior into growing their services business without ignoring their system sales. Whether the RMR is driven by traditional service agreements, hosted services, managed services, monitoring services or some other cool new things that are out there, these best practices will work.



### Pay as much in advance as possible.

Years ago, I was helping a systems integrator build their sales process. Part of my engagement was to tweak their compensation plan to encourage RMR sales. Their plan was based on a “pay when paid” schedule, which I liked because of the residual payments – a successful salesperson could build up a nice annuity. Then I interviewed their salespeople – they hated it. They were far from motivated to propose services today for payment over the next several years. One of their salespeople was very transparent with me: *“I get it, Chris – build up an annuity and you increase your base salary; but I don’t even know if I’ll be working here in a year. I’m happy right now, but you never know. I’m going to sell the things that are going to pay me today.”* Over the next couple of years, I found that about 80 percent of salespeople feel this way. Some would articulate their opinion in the same bold manner referenced above, and others would speak loudly with their lack of results.

**Conclusion:** Pay as much commission in advance as possible. Salespeople respond much more to being paid \$100 today than \$200 over the next three years.

**Thoughts to consider:** Paying commission in advance on services that will be paid over the course of multiple years can cause a lot of stress for management; however, the impact on the sales team’s behavior is drastically greater than paying over the term of the service. Here are some ideas that will help reduce stress and deliver maximum motivation:

- If you cannot pay commission on the Total Contract Value in advance, then pay at least half up front, and the remaining 50 percent throughout the length of the agreement.
- Create a fair cancellation/payback policy in case a customer cancels their agreement.
- Accept the risk – salespeople will quit, their customers will cancel, and you will lose every now and then. It will be minimal. Accept it.



### Pay extra “project commission” on sales that include a service agreement.

How many times have you seen situations get out of hand because of a misunderstanding about what was important to someone?

Most security integration sales professionals get a ton of value from their system sales. They value the complexity and challenge of the job; they value the satisfaction of winning the project; they value the importance of securing the facilities; and yes, they value the commission they receive from the large system sales. System sales are important to these sales professionals.

When trying to encourage them to sell more RMR, we usually put all the emphasis on the services – including the commission. If the project is the most important and emotionally impactful to most system salespeople, why not put the emphasis on the project?

**Conclusion:** When a salesperson sells a service agreement with a project, add an extra point or two to the project commission.

**Thoughts to consider:** This concept may seem a little strange, but not if you think about it from the perspective of the system salesperson. Here are a few ideas to get the most impact from this plan:

- Require a minimum term on the service agreement for this extra bonus to be valid.
- Consider different levels of a bonus. For example, pay a 1-percent bonus for a three-year agreement and 2-percent for a five-year agreement.
- Do not use a flat fee. The extra point or two takes the size of the project into consideration, and that is what excites most system salespeople about projects.



### Don’t run short-term contests or spiffs.

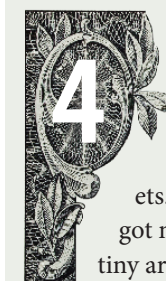
In my first sales job, my company created a “last quarter of the fiscal year” campaign to drive service agreement sales. Not only did they multiply the regular commission rate by 250 percent, but they added a four-day cruise to the Bahamas if we sold enough of these contracts. To a 24-year-old guy like me, that was motivating. I killed it. I did not win the cruise, but I came close and ended up in the top 10 percent of all salespeople for the calendar year – making me one of a very few rookies to win the big trip to the annual sales meeting that year.

Guess what? I did not sell many service agreements the following year. Why would I? I just got done making 2.5 times the normal commission. It felt so flat after the promotion. Why would I want to create possible conflict and risk losing a system sale for such a flat commission?

**Conclusion:** Short-term contests are good for one thing – results in the short term; however, they usually have a negative impact on long-term success.

**Thoughts to consider:** It is a shame these contests do not work – they are usually fun, and drive the behavior desired in a brief amount of time – but the hangover is brutal. Here are some ideas that will produce similar benefits without risking the slowdown following the spiffs:

- Create monthly or quarterly bonuses for RMR performance. This type of plan will stimulate and renew excitement every term.
- Every now and then, conduct an extremely short-term contest. For example: any RMR agreements that are quoted and delivered this week and closed within 60 days will receive double commission. This term is so short that it will not affect long-term behavior, but it will give the organization a shot in the arm that it might need.



### Create multipliers against commission based only on RMR sales performance.

One of my friends recently sold his house. During the process, he and his wife sunk about \$10,000 into their three bedroom closets. I thought their investment was strange, so I got nosy. My friend’s response stuck with me: These tiny areas of the house could greatly impact the selling price. They ended up selling the house for almost \$40,000 more than they had planned before the closet renovation. Think about this scenario. My friend focused on an area of the house that he probably never thought about, and he invested a lot of money in it. Why? Because it impacted the price of the entire house.

**Conclusion:** Just like my friend paying special attention to a very small area of his house, salespeople will focus on selling RMR services if their success impacts their entire commission structure.

**Thoughts to consider:** This idea is excellent and drives the behavior desired by most managers and owners; however, it may only work for those that are already having a good year by about August or September. Here are some ideas that will help make this idea a motivator for all:

- **Create quarterly milestones.** If this accelerator program renews every quarter, each salesperson will be motivated from the beginning to drive RMR sales.
- **Make the multiplier mean something.** Do not create a 1.05x multiplier – it makes zero impact on motivating a salesperson. Add at least a 1.25x multiplier.
- **If you do the annual plan, consider multiple milestones.** For example, award a 1.25x multiplier for reaching the first milestone, and a 1.5x for the second milestone.
- **Do not offer multipliers for any other type of performance,** only RMR sales performance. ■