



Commission Formula for Sales People

Commissions are figured on paid invoices, not billed invoices. If you make a sale in January, the customer pays in February; you would get credit for the sale in February. Sales person will get a report on their customers that have not paid every pay period.

1. To be eligible for commission:

Minimum percentage profit is 25% (0.25)

Minimum gross sales before taxes, freight, or other charges is \$25,000.00 with at least a 25% profit

Can not be more than 90 past due, any accounts that roll over past 90 days are no longer eligible for commission.

2. Commission:

No commissions on the first \$25,000.00 gross that meet the above criteria.

3.25% (0.0325) for the next \$30,000.00 (above the \$25,000.00), of sales that meet the above criteria.

2% (0.02) for any amounts above the \$30,000.00 that meet the criteria in number one above.

0.125% (0.00125) goes to sales manager if any, if there is no sales manager then the sales person receives this.

Every sales person will have a minimum amount that they must sell, at a 25% gross markup if they do not make this minimum then the difference will be added to the next months quota

Example:

minimum of \$25,000.00/mth. at 25% gross markup.

In a month they only make \$17,500.00 at 25% markup, then \$7,500.00 will be add to the next month for a total of 32,500.00 gross sales at 25% markup will needed to be made in that month before they would be eligible for commission.

Once a sales person has attained a sufficiently high level of sales, the year-to-year bonus is automatically added to their percentage even if there is no increase. Right now, that level is gross sales in the preceding quarter is listed below as "QtrAverage".

3. Year-to-Year Commission:

This Commission is paid only if the above two stipulations have been met and there is an increase in same month year-to-year sales of at least a specified percentage, the percentage is listed below as "YearToYearPercentage".

An additional 1.5% (0.015) for the sales person.

An additional 0.125% (0.00125) for the sales manager.

Example:

January 2000 had sales of \$48,000.00; in January 2001, you would need sales of \$49,440.00 to be eligible for the 1.5%. This percentage is figured so that even after inflation we should still have a minimum increase in sales, this percentage can change every quarter, but at a minimum once a year.

Once a sales person has attained a sufficiently high level of sales, the year-to-year bonus is automatically added to their percentage even if there is no increase. Right now, that level is gross sales in the preceding quarter of at least \$92,000.00 per month

List of variables that we what to be able to adjust (variable names are just examples)

	Variable	Description	Present Values
1	zz-v	Percent cost of inventory items that begin with "la" or "zz"	60%
2	zb-v	Amount to be added to inventory cost, of those inventory item that begin with "zb"	\$50.00
3	MinimumPercentProfit	Minimum Percent profit	25%
4	MinimumGross	Minimum gross sales at Minimum percentage profit	\$25,000
5	FirstPercentage	1 st Commission percentage, for the first \$30,000.00 above the \$25,000.00 that meet the commission requirements.	3.25%
6	Gap	Amount of the gap between 1 st commission percentage to 2 nd commission percentage, that meet the commission requirements	\$30,000.00
7	SecondPercentage	2 nd commission percentage, for any amounts over the gap that meet the commission requirements.	2%



SPI Systems

8	SalesManagerPercentage	Sales Manager percentage	0.125%
9	YearToYearPercentage	Same month, year-to-year percentage	3%
10	YearToYearCom	Percentage Commission if the "YearToYearPercentage" is met	1.5%
11	MgrYearToYearPerc	Sales Manager Year-to-Year percentage	0.125%
12	QtrAverage	If the last three months sales are above this amount per month then they would meet or exceed industry averages	92,000/mth

Below are just some formulas that are used, they are not all of the formulas that are used.

If "(TotalGross – (MinimumGross + Gap))" is either negative or equal to zero then use the formulas in 1

If "(TotalGross – (MinimumGross + Gap))" is positive then use the formulas in 2

If the gross sales for the last three months have been over "QtrAverage"/mth then use formulas 3

<p>1 – Formulas for "MinimumAdjusted" amounts that fall totally within the Gap TotalGross – MinimumGross = MinimumAdjusted MinimumAdjusted * FirstPercentage = FirstLevelCommission If same month year to year has an increase by at least "YearToYearPercentage" MinimumAdjusted * YearToYearCom = YearCom MinimumAdjusted * SalesManagerPercentage = ManagerCommission</p>
<p>2 – Formulas for "MinimumAdjusted" amounts that are greater than the Gap amount. TotalGross – MinimumGross = MinimumAdjusted (((MinimumAdjusted – Gap) * SecondPercentage) + (Gap * FirstPercentage)) = SecondLevelCommission If same month year-to-year has an increase by at least "YearToYearPercentage" then: MinimumAdjusted * YearToYearCom = YearCom MinimumAdjusted * SalesManagerPercentage = ManagerCommission</p>
<p>3 – Formulas for Sales persons that have achieved consistently high sales TotalGross – MinimumGross = MinimumAdjusted (((MinimumAdjusted – Gap) * (SecondPercentage + YearToYearCom)) + (Gap * (FirstPercentage + YearToYearCom))) = TotalCommission MinimumAdjusted * SalesManagerPercentage = ManagerCommission</p>