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ADVISORY BOARD

SELLING AFTER THE SLUMP

PROFIT's expert panel reveals how to motivate today's cautious clients, independent sales reps and everyday employees

EXPORTING

PERNILLE FISCHER-BOULTER
President & CEO of Kisserup International Trade Consultants Inc. in Halifax

How can I ensure my independent sales reps do my product justice?

Here's one strategy I've seen hundreds of North American companies employ in Europe: attend one trade show a year, stay for a week, sign up some independent sales reps, make sure they have lots of product samples and brochures, and schedule a time to meet again next year.

But that's not an expansion plan; that's a vacation plan.

No matter where you export your product, the most important motivator of independent sales reps is the same one that keeps you in business: making money. So, you must start by paying your reps a competitive commission. Beyond that is the "spiff," a bonus paid for selling a specific product. You can't afford to pay spiffs all year, but you can use them strategically, say, to boost sales at the end of a quarter or fiscal year, or to counter the launch of a competing product.

All payments being equal, there are other ways to encourage independent sales reps to push your product.

Always treat your independents like you treat your in-house salespeople (which, I hope, is well). Keep them in the loop on company news and initiatives that might be of interest to them and, of course, inform them immediately of changes to product prices and specs. You cannot gain the loyalty of faraway reps by treating them as an afterthought.

Giving reps new product to sell is great, because each recently released item is something to talk about with customers. But you must remember that few products sell themselves; just because a rep is excited about the opportunity to sell a new product does not mean he or she is equipped to sell it or feels comfortable selling it. So, be sure to provide your independent sales reps with adequate training and sales materials—including any positive testimonials or reviews—for all new products.

Finally, salespeople favour products that are easy to sell. You can whet the appetite of prospects by exhibiting at the rep's local trade show or advertising in her market, provided your pitch resonates with local buyers. Your rep can help you select the right advertising media and fine-tune your message to local tastes.

What is the most tax-efficient way to sell my half of my incorporated business to my business partner?

Your best bet is to capitalize on the $750,000 capital-gains exemption on the sale of shares in a qualified small-business corporation rather than selling the company's assets. This approach could save you up to $174,000, depending on which province you live in—and provided that you and your company qualify.

Your company qualifies if it meets several criteria, including the requirement that at least 90% of its assets must be used principally in an active business carried on primarily in Canada. But even if your corporation doesn't currently qualify for the deduction, you might be able to "purify" it. Generally, this involves removing non-business assets (such as cash or investments) from the firm prior to the sale, provided that non-business assets total no more than 50% of all assets.

Once you've determined that the shares you're selling do qualify—or can be made to—consider whether you personally qualify for the capital-gains deduction. Previous uses of the capital-gains deduction or investment-related expenses in excess of investment income claimed on your personal tax return will restrict access to this deduction.

You might also need to consider the implications of various attributes of the sale.

If you help finance the purchase with vendor take-back financing, careful consideration of the loan's terms could allow you to reduce or at least defer your tax burden by recognizing the capital gain over a period of up to five years. Similarly, take care in structuring any earn-out arrangement, whereby part of the sale price is dependent on future earnings and paid out over time. Finally, if you are required to sign a non-competition agreement as part of the sale, new proposed rules in the Income Tax Act need to be considered to minimize the tax implications associated with these types of agreements.

ACCOUNTING

JEFF LLEWELLYN, CA, TEP
President and Managing Director of Corporate Finance at Meyers Norris Penny LLP in Calgary

SALES

HARVEY COPEMAN, CSP
President & CEO of the Canadian Professional Sales Association in Toronto

▸ The recession is over, but a lot of buyers still seem reluctant to make purchasing decisions. How can I expedite the process and get the order?

In my experience, the word "recovery" is only relevant to buyers if they are experiencing it directly in their own business. Until your clients see tangible evidence that their sales are gaining momentum, they'll take a more cautious approach to investing in their business. Nonetheless, there are ways to nudge the sales process along.

Staying top of mind with your clients will encourage them to take the next step whenever they're inspired to think about business investments, but you don't want to become a pest. Apply controlled persistence and try to add relevant value to your client communications. This could take the form of industry, product or market intelligence.

There is never any substitute for asking good questions and listening carefully to uncover the most important or problematic areas of a client's business. But this is even more important post-recession because solutions tend to be non-linear—a function not of your product's virtues but of factors specific to your client's business, such as cash flow and budget. For instance, you could explore whether extended payment terms will tip the balance in your favour.

Leveraging product scarcity is another useful tactic. If your company has limited stock on hand, consider suggesting that your client stock up now in order to avoid disappointment. On the flip side, a time-limited offer on attractively priced overstock can also motivate cautious buyers.

TECHNOLOGY

AMBER MACARTHUR
Toronto-based co-founder of MGImedia.ca and author of *Power Friending*, a book on social media for business

▸ What are the pros and cons of moving my business from off-the-shelf software to Web-based services such as Google Docs and Gmail?

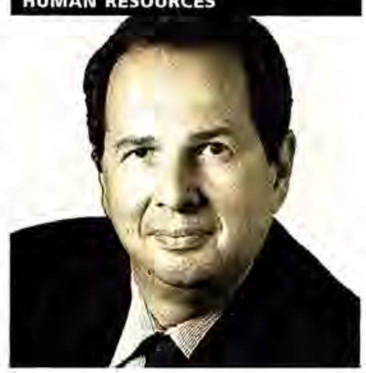
As Google and other companies expand their Web-based software offerings, many businesses are wondering whether "cloud computing" is a realistic option for them.

On the plus side, using Web-based services is cost-effective and, in many cases, free. Moreover, you don't have to spend large sums of money on maintenance and upgrades, allowing for scalability right out of the gate. Cloud computing also allows remote workers to use these software tools wherever they have a Web connection.

On the negative side, these Web-based services cannot be modified to meet your firm's specific needs. There's also the issue of security: although Web tools have reliable protection for the most part, you are putting your "life" in the hands of a third party that doesn't report to you. Finally, there's the question of the longevity of cloud-computing providers—although you can count on Google to last a while.

Today, a modest number of organizations are opting to run their businesses in the cloud, particularly among government and educational institutions that are always searching for cost-cutting solutions. In the future, I suspect more businesses will lean towards Web-based software, especially as online security improves and the online tools themselves come closer to rivalling anything that can be put in a box on a shelf.

HUMAN RESOURCES



CARMINE DOMANICO
President of Cristal International, an HR-strategy consultancy in Brampton, Ont.

▸ How much has the weak job market cut into salary expectations, and when will they rebound to pre-slump levels?

According to a survey about 2010 salary budgets conducted last September by Alpharetta, Ga.-based Culpepper & Associates Inc., base salaries in Canada will increase by an average of 2.4% this year, compared with 1.1% in 2009. Although economic optimism has improved markedly since HR planners set their budgets last fall, I predict that most companies will not increase base salaries in any significant manner in 2010.

For countless SMEs, the Great Recession was their first economic downturn. Experience is a wise teacher, so many organizations will be hesitant to re-establish programs that don't provide the agility to manage effectively through the troughs of the business cycle. Furthermore, even if companies are budgeting for bigger increases, they won't spend it across the board; rather, they'll use it strategically for, say, key hires.

Many companies that I consult with have started to adopt other compensation approaches to manage fixed costs. For example, there is more focus on variable bonus or profit-sharing plans that reward employees who achieve specific measurable goals. Typically, these programs pay for themselves by increasing revenue or reducing costs. Companies are also spending more time communicating the total compensation offered to employees, which often includes group benefits and company-matched RRSP contributions.

Finally, some firms are relieving pay pressures by "opening the books" to give staff a clearer picture of their employer's financial health. When employees understand how much it costs to run a business, they're more sympathetic to the need to control all expenses—including their salaries. **P**

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