

Not so Spiffy Spiffs

There are several things I like about being a part of FEDA as well as a member of the E&S industry. One is that I can pick up the phone, call a number of friends, dealers or manufacturers, speak candidly about a mutual problem or issue and work with them to find a solution. Recently, I was so impacted by one such conversation concerning the topic Spiffs that I've decided to share some of the private details of it with you.

Before I continue, I'd like to make one thing clear: I don't have a problem philosophically with spiffs, but I don't think I have a real understanding of what they really are, how often they occur in my business, or when and if they occur, if they are managed properly?

Do the factories that create them really know what they are getting for their dollars? In the last year we have let approved factories create spiff programs for certain specific situations. One of the parameters we set up is that in order for a salesperson to be eligible to sell a manufacturer's product for an added incentive, he or she must sell the product for a pre-determined minimum profit level (that we establish). If the minimum profit level is not reached, the spiff still reduces the cost of the product and the savings is shared with the company. Also, any monies due to the salesperson must be authorized by our management in order to be paid out.

Well it's almost been a year since we've approved these parameters, and although I know these authorization forms exist, I can't remember the last time we properly authorized the form back to the factory.

I guess I can take some of the blame for this. My feeling, however, is that if I set the parameters of a program I expect them to be followed, and they should not have to be policed by me.

When agreed upon parameters are not followed, I feel betrayed by my industry business partners. If they don't feel they have a responsibility to follow the rules, then maybe I need to find a partner who will. I guess if I have doubts I should just contact the factories and ask them for a summary of all spiffs, or the year-end 1099s that are given to my employees. Maybe I won't be surprised... how comforting that would be.

Do I allow spiffs? I guess I do, but what I can't accept is the fact that people don't play by the rules. Every company has their opinion on whether they like or dislike spiffs and whether to let them be established or not. Am I alone with this problem? I don't think so. I look forward to your comments or ideas on what works, whether you're friend or foe.