***Case Study #02: Caprio’ s Department Store***

 Barbara Sheeran has been reading about a quiet revolution sweeping department store retailing and has decided to give it a try. At stores such as Macy’s and Nordstrom’s, managers are using commission pay to motivate salespeople. At Nordstrom’s, for example, a top-tier salesperson in women’s apparel can earn nearly $200,000 per year.

 Sheeran wants to implement commission pay at Caprio’s, a regional chain of upscale department stores based in Tuscon. Caprio’s has long used commissions in departments such as electronics and appliances where extra sales skill pays off, but Sheeran believes that extending the system storewide will attract better salespeople, increase motivation, and enable employees to earn more money. For example, under the old plan, a new salesclerk in women’s wear would earn about $18,000 per year based on hourly wages and an 0.5% commission on $500,000 in sales. Under the new plan, the annual pay would be $35,000 based on 7% commission on sales of $500,000. Sheeran implemented the new system in two area stores first and plans to roll it out across the chain within the next six months.

 Eli Johnson, who works in the men’s shoe salon, is enthusiastic about the change. His pay has increased an average of $150 per week. But in other departments, such as women’ s lingerie, employees are less enthusiastic. Making enough sales per week to earn their previous salary is nearly impossible, particularly when the economy slows down. Even during the holiday season, many employees saw their pay decrease an average of 8%.

 Sheeran is keeping a close eye on fluctuations in pay. She’s becoming concerned that the commission system may not work as well for small-item purchases as it does for big-ticket items. In addition, she questions whether Caprio’s can meet its goal of creating more customer-oriented salespeople when they work on commission. Clerks may be less willing to handle complaints, make returns and clean shelves, preferring instead to chase customers. Moreover, it will cost Caprio’s nearly $1 million per store to install the commission system because of training programs, computer upgrades and increased pay in many departments. If the overall impact on service is negative, the increased efficiency may not seem worthwhile.

***Question: What would you do? Be sure to discuss motivational theories, employee needs, and customer viewpoints in your answers.***