



Commission Structure Example

Commission is a fee paid based on a percentage of the sale made by an employee or agent, as distinguished from regular payments of wages or salary. This tool gives examples of how to build that commission. Whether to use profit or revenue as the catalyst is not always easy to choose, but we think this might help you figure it out.

Commission based on Gross Profit:

- Sales initiated by Sales Rep will be paid as follows:

25% of gross profit (Total revenue minus cost multiplied by the life expectancy of the client)

- Sales initiated by marketing team via web lead, referral, current client list, etc. will be paid as follows:

20% of gross profit (As defined above)

Example:

1. Customer signs a contract

Monthly charge to customer is:	\$600.00
Expenses to service the customer is:	<u>\$200.00</u>
Monthly Gross Profit:	\$400.00

Expected term is 1 year

Expected gross profit is calculated as: $\$400.00 \times 12 =$ \$4,800.00

Commission paid is: $\$4,800.00 \times 25\% =$ **\$1,200.00**

2. Customer signs a contract initiated by marketing team for social media management.

Monthly charge to customer is:	\$600.00
Expenses to service the customer is:	<u>\$200.00</u>
Monthly Gross Profit:	\$400.00

Expected term is 1 year

Expected gross profit is calculated as: $\$400.00 \times 12 =$ \$4,800.00

Commission paid is: $\$4,800.00 \times 20\% =$ **\$960.00**



Commission based on Revenue:

- Sales initiated by Sales Rep will be paid as follows:

15% of revenue (Total billable revenue multiplied by the life expectancy of the client)

- Sales initiated by marketing team via web lead, referral, current client list, etc. will be paid as follows:

12% of revenue (As defined above)

Example:

1. Customer signs a contract initiated by sales rep for social media management.

Monthly charge to customer is:	\$600.00
Expected term is 1 year	
Expected revenue is calculated as: \$600.00 x 12 =	\$7,200.00
Commission paid is: \$7,200.00 x 15% =	\$1,080.00

2. Customer signs a contract initiated by marketing team for social media management.

Monthly charge to customer is:	\$600.00
Expected term is 1 year	
Expected revenue is calculated as: \$600.00 x 12 =	\$7,200.00
Commission paid is: \$7,200.00 x 12% =	\$864.00

Do you have questions or need help with this tool? Send us an email at info@smmarketingconnect.com. We are happy to answer your questions!