

Pick **n** **P**ay

Inspired by you

Sales Compensation

Results of local and international research and the implications for sales compensation design



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SARA Conference
28 October 2010

Two Surveys - Five Areas of Research

- Pay mix
- Performance measures
- Commission structure
- Composition of sales comp design team
- Revision of sales plan

Two Surveys

United States Survey

**Sales Compensation
Practices – May 2008**

**Worldatwork and
National Association of
Sales Professionals**

**416 respondents across
industries and org size**

South African Survey

**Sales Commission
Practices – Sep 2010**

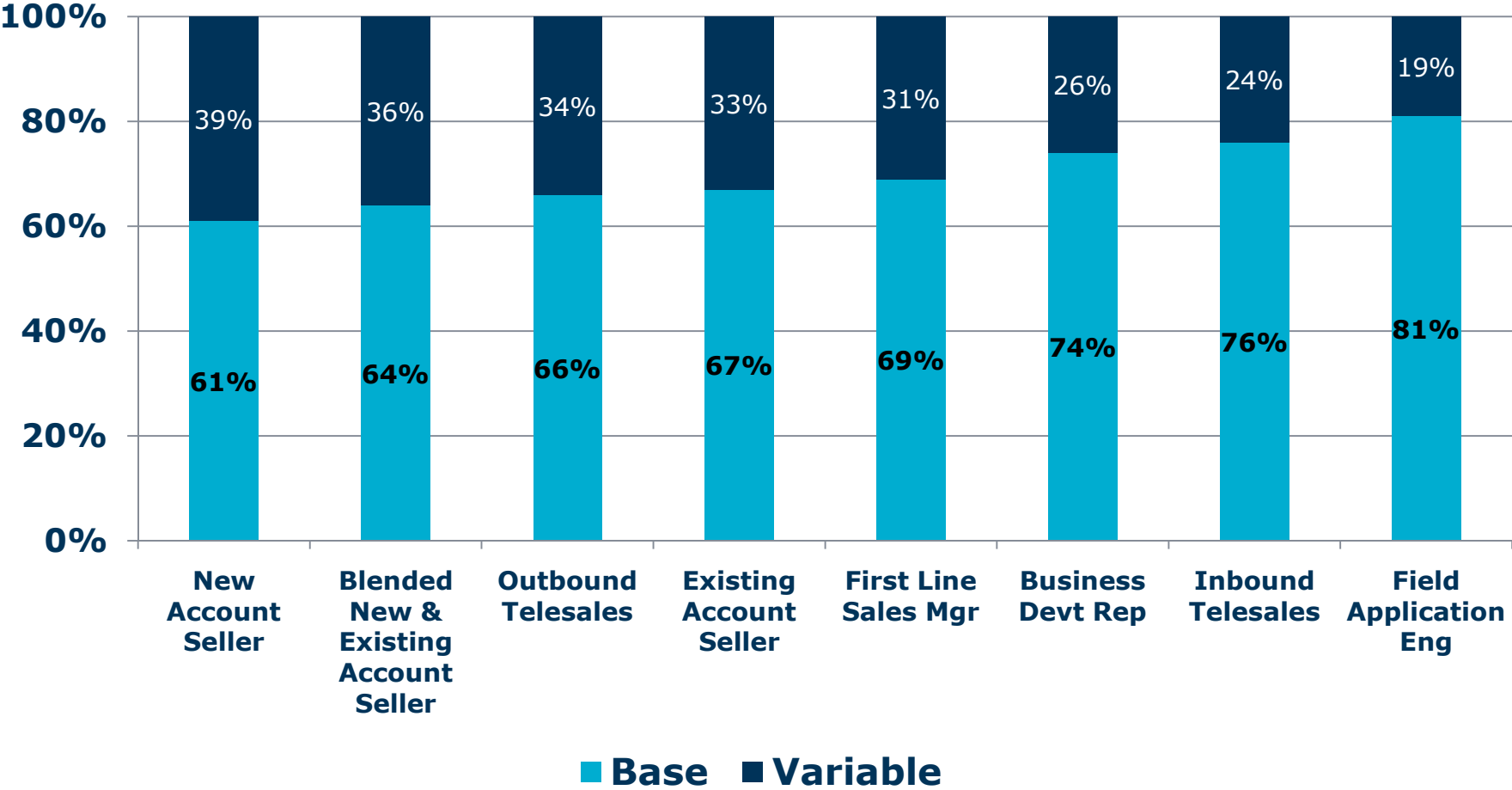
**Remchannel, questionnaire
design by Auld
Compensation Consulting**

**? respondents across
industries and org size**



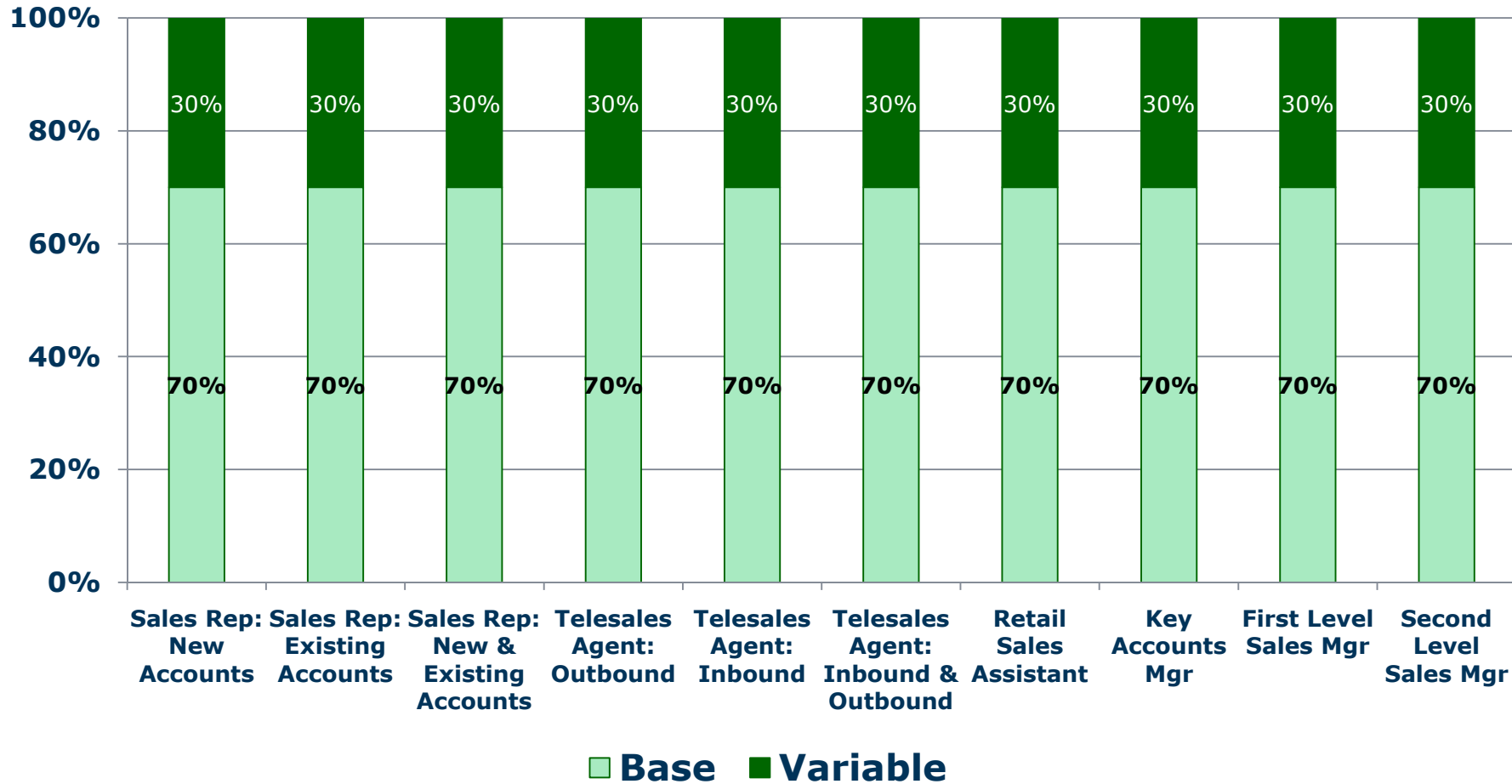
The Pay Mix for different Sales Positions

Worldatwork Survey – Pay Mix



Remchannel Survey – Pay Mix

Note - Dummy data, actual data will be input once survey results available in October



Lesson 1 for Sales Plans

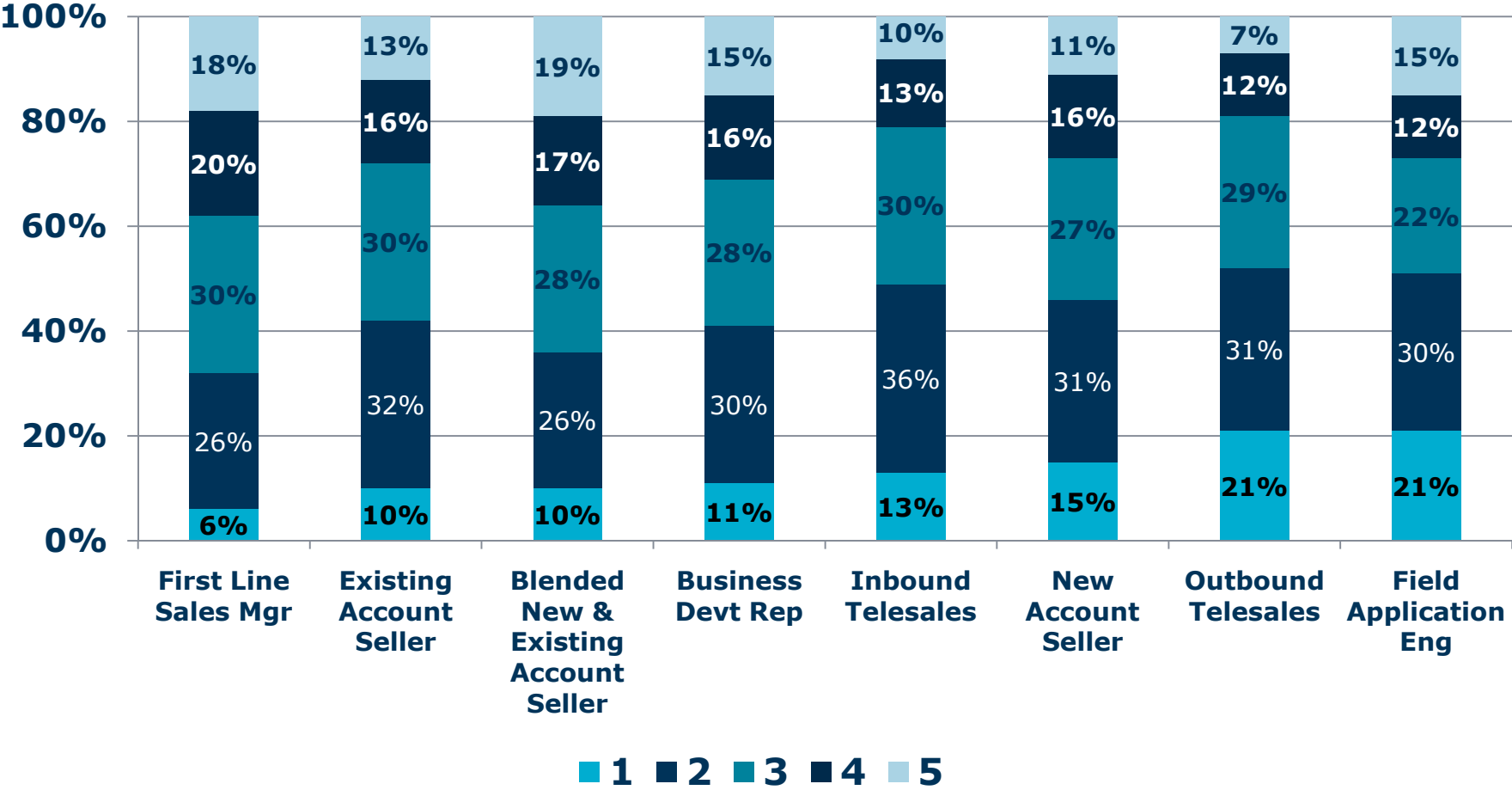
- Need to tailor pay mix to type of sales job
- More influence the sales position has, the higher the variable pay should be
- Pay mix and sales compensation plan **should** vary for each type of job



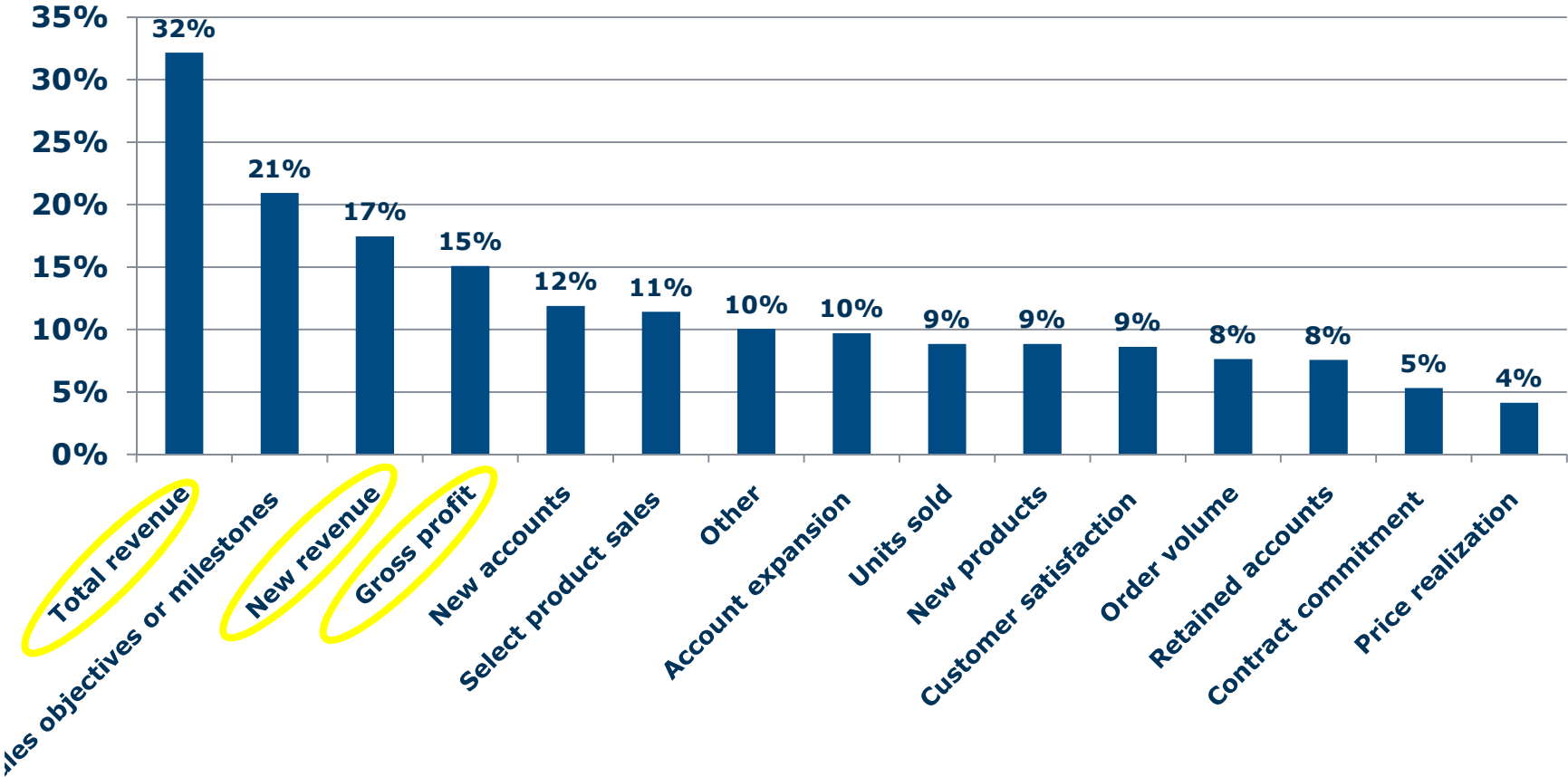


**Performance
Measures -
Number and
Type**

Worldatwork Survey – Number of Performance Measures

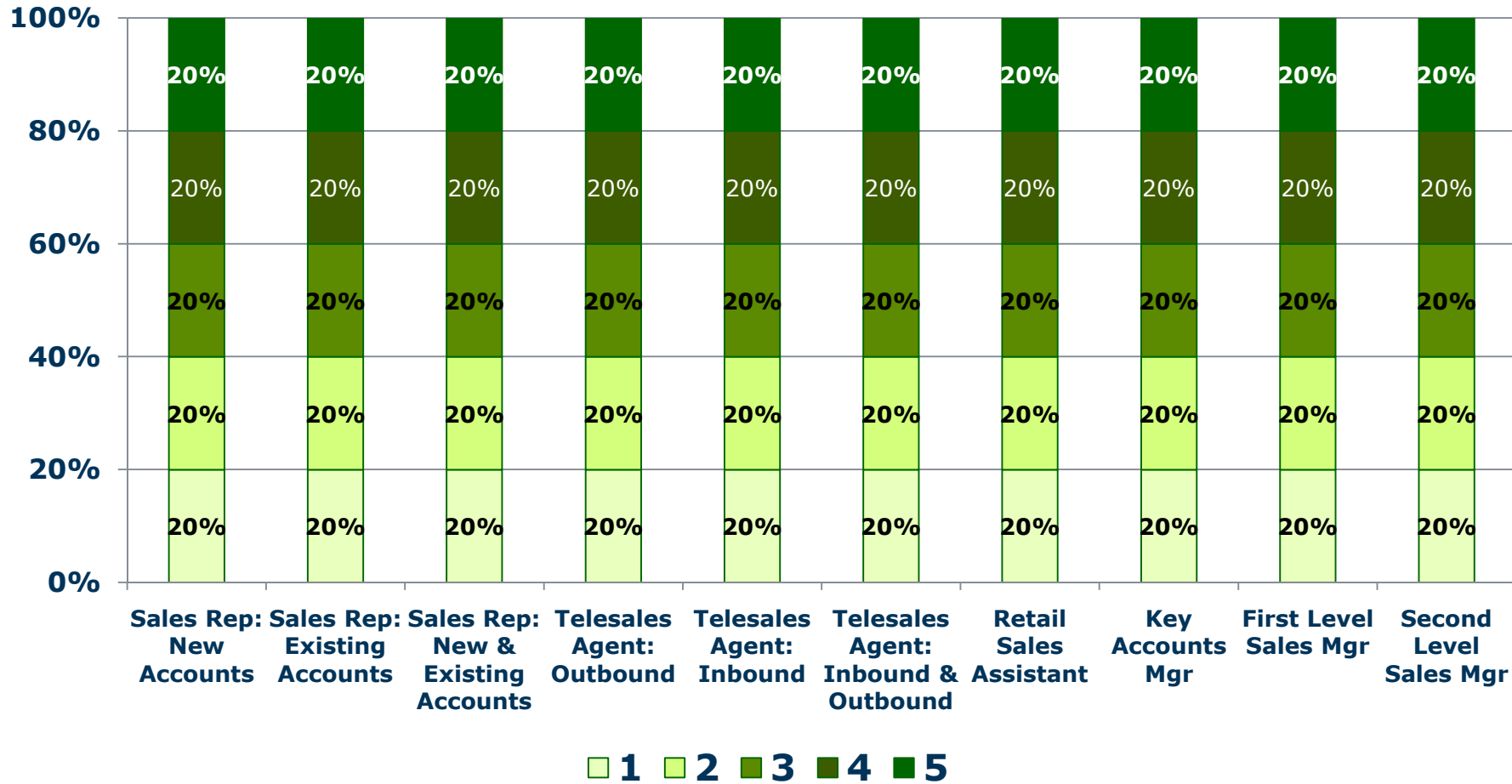


Worldatwork Survey – Most Common Performance Measures



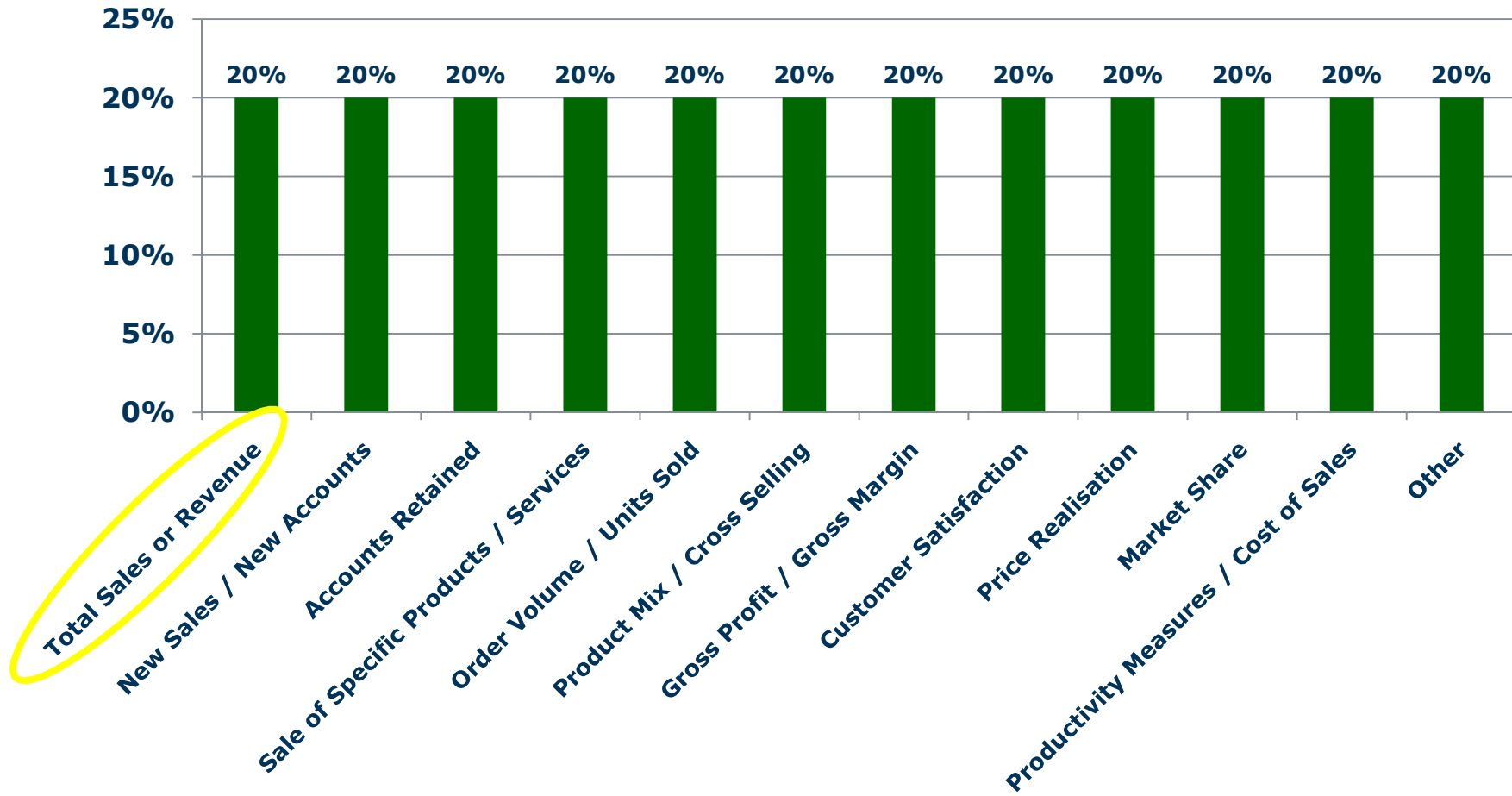
Remchannel Survey – – Number of Performance Measures

Note - Dummy data, actual data will be input once survey results available in October



Remchannel Survey – Most Common Performance Measures

Note - Dummy data, actual data will be input once survey results available in October



Lesson 2 for Sales Plans – Show me the money!

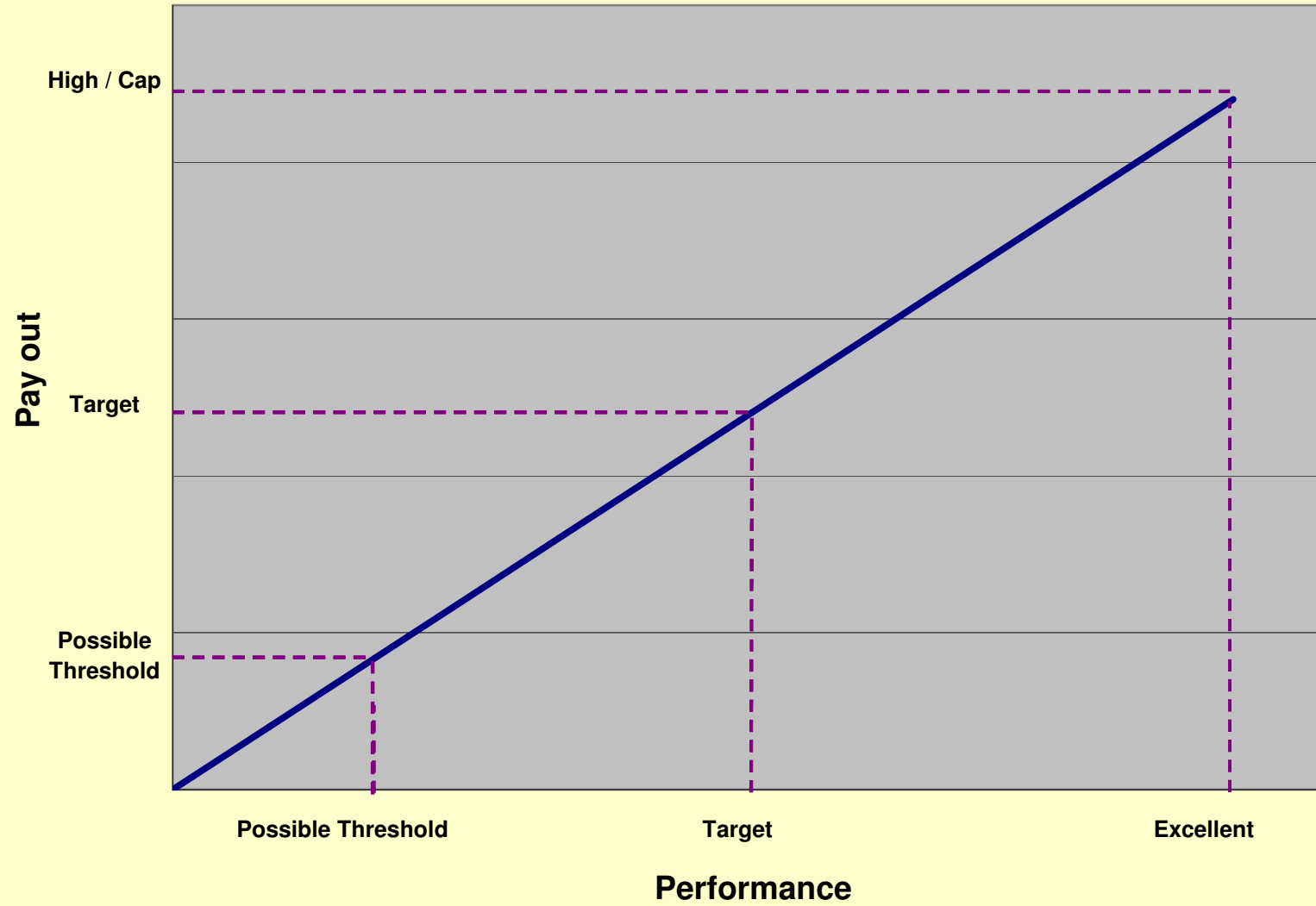
- Ideally should not have more than 3 measures
- No measure should be weighted less than 10%
- Highest weighted measure should be revenue / profit – it's all about the money!
- Complexity in sales plans comes from too many measures /complex structures, not too many plans



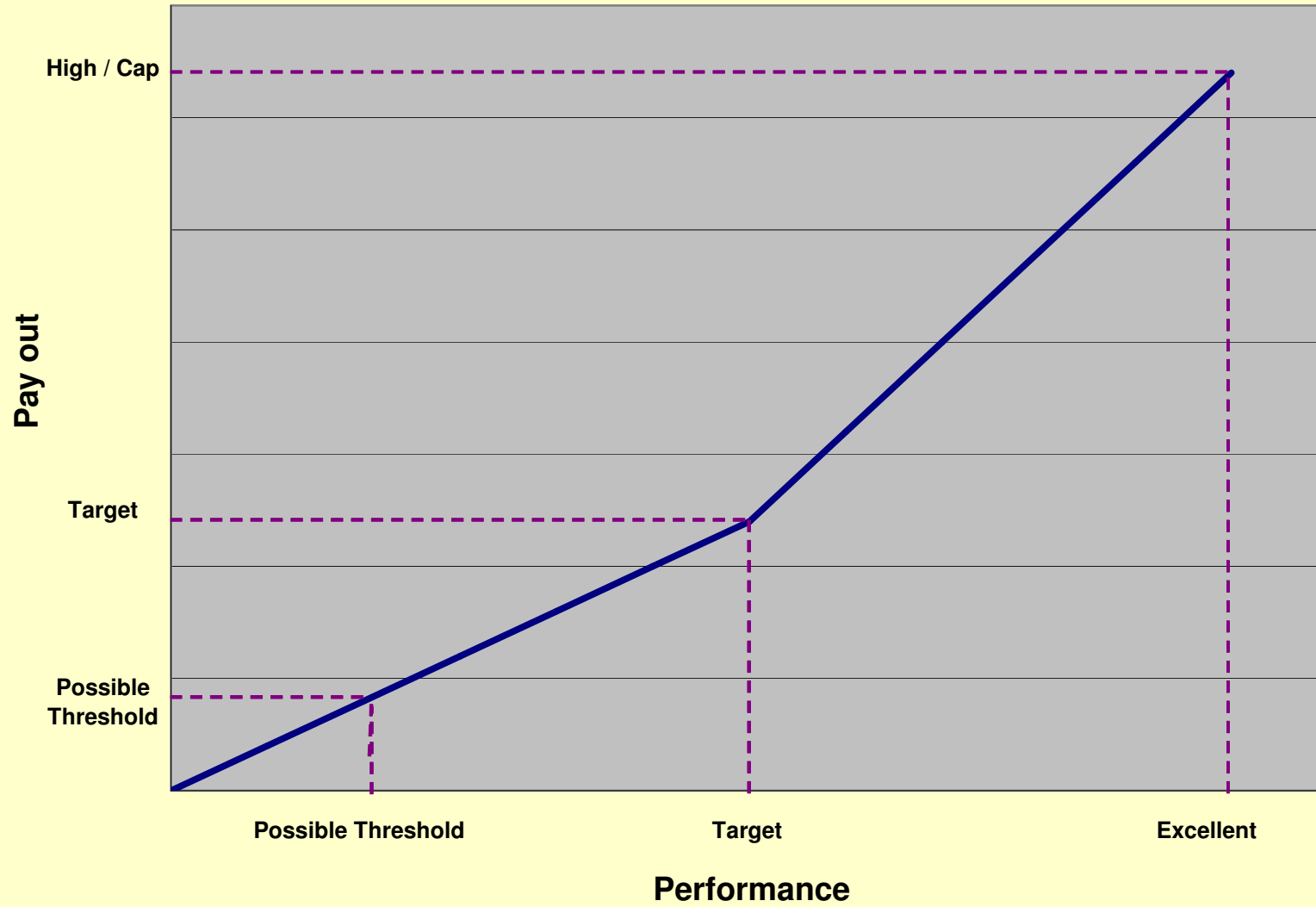


**Commission
Structure -
Ramps,
Thresholds
and Caps**

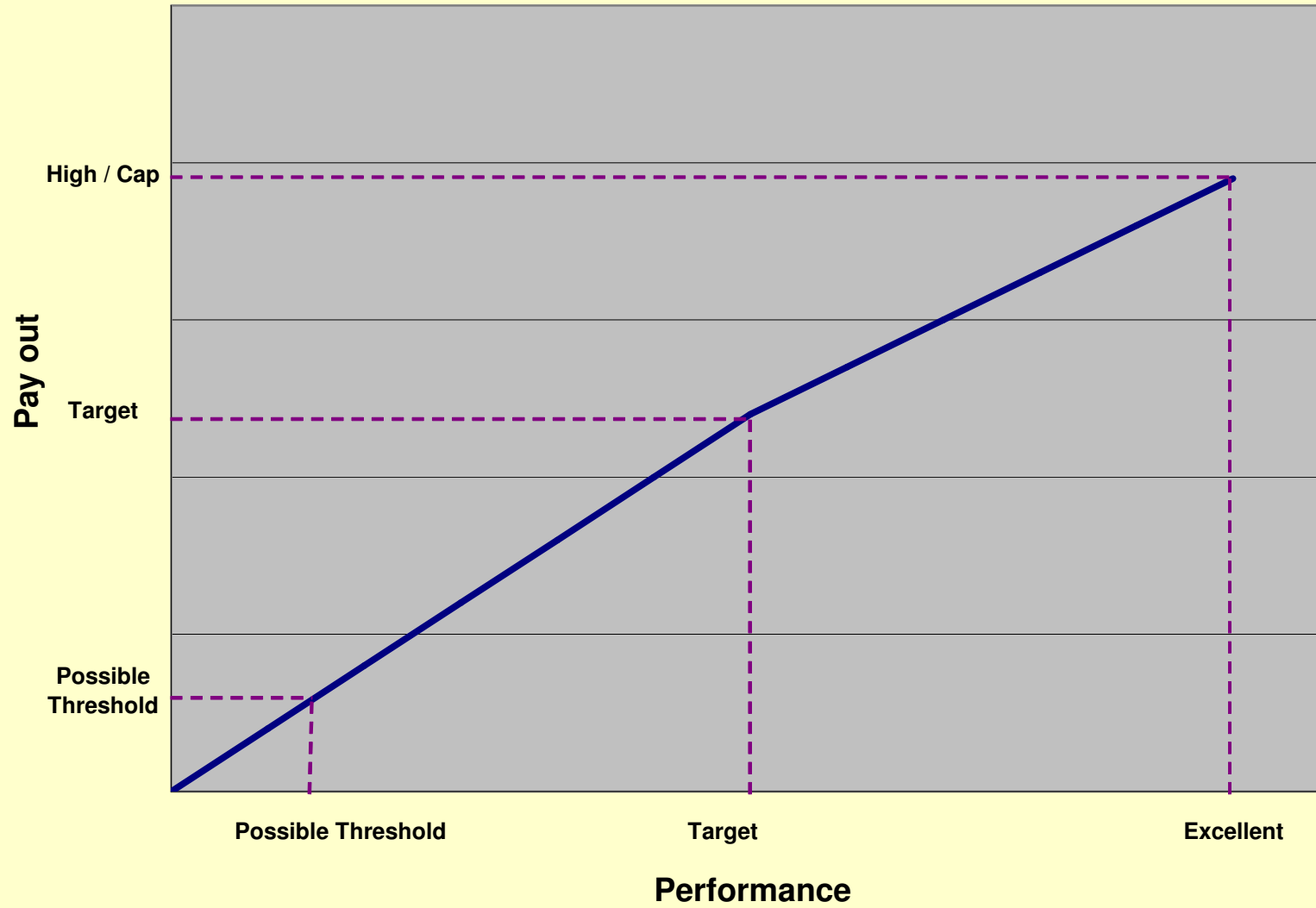
Straight Line Continuous Relationship



Progressive Ramp Relationship



Regressive Ramp Relationship

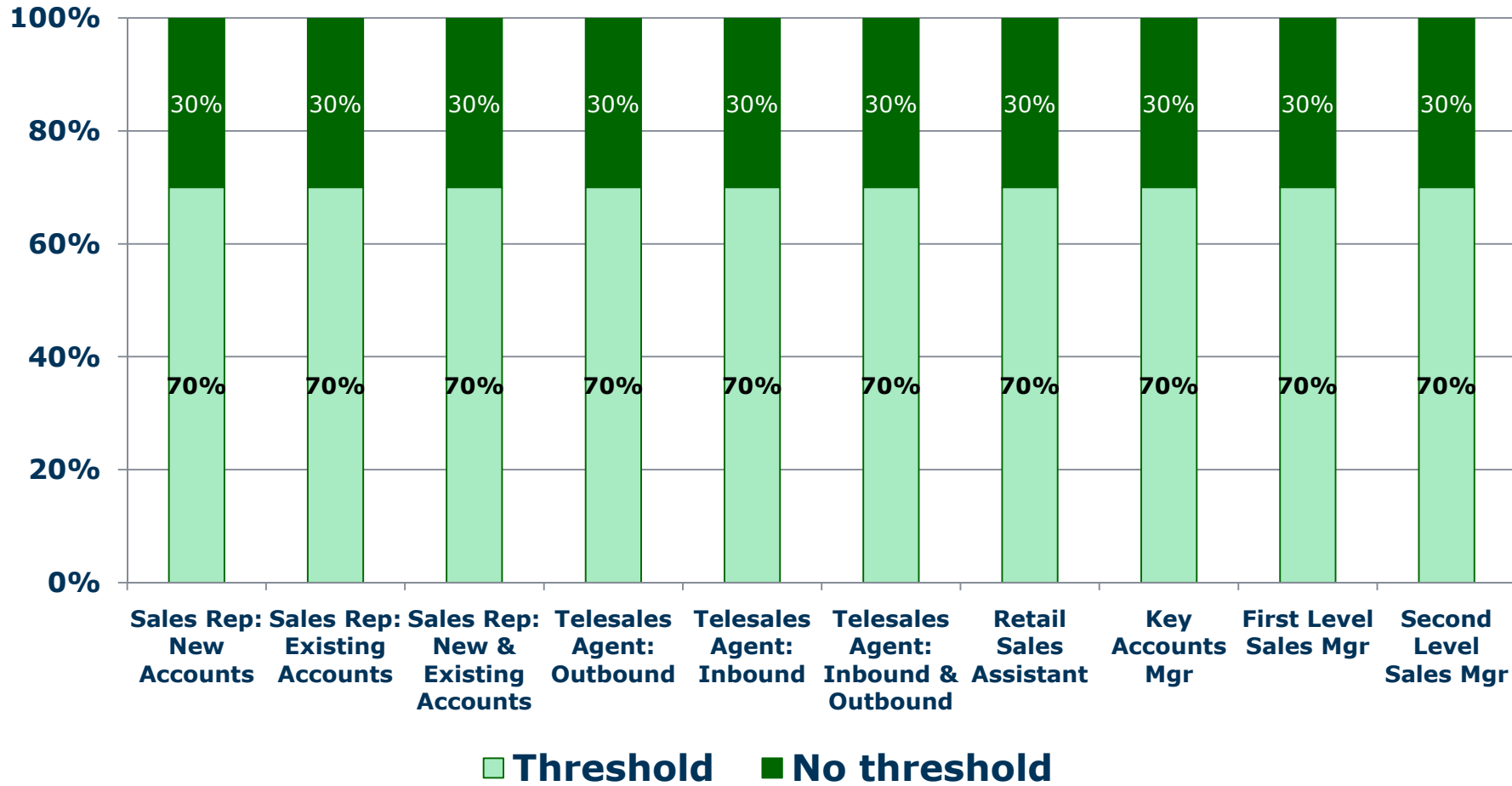


Remchannel Survey - Most common type of commission structure

Sales Position	Type of Commission Structure
Sales Representative: New Accounts	
Sales Representative: Existing Accounts	
Sales Representative: New and Existing Accounts	
Telesales Agent: Outbound	
Telesales Agent: Inbound	
Telesales Agent: Inbound and Outbound	
Retail Sales Assistant	
Key Accounts Manager	
First Level Sales Manager	
Second Level Sales Manager	

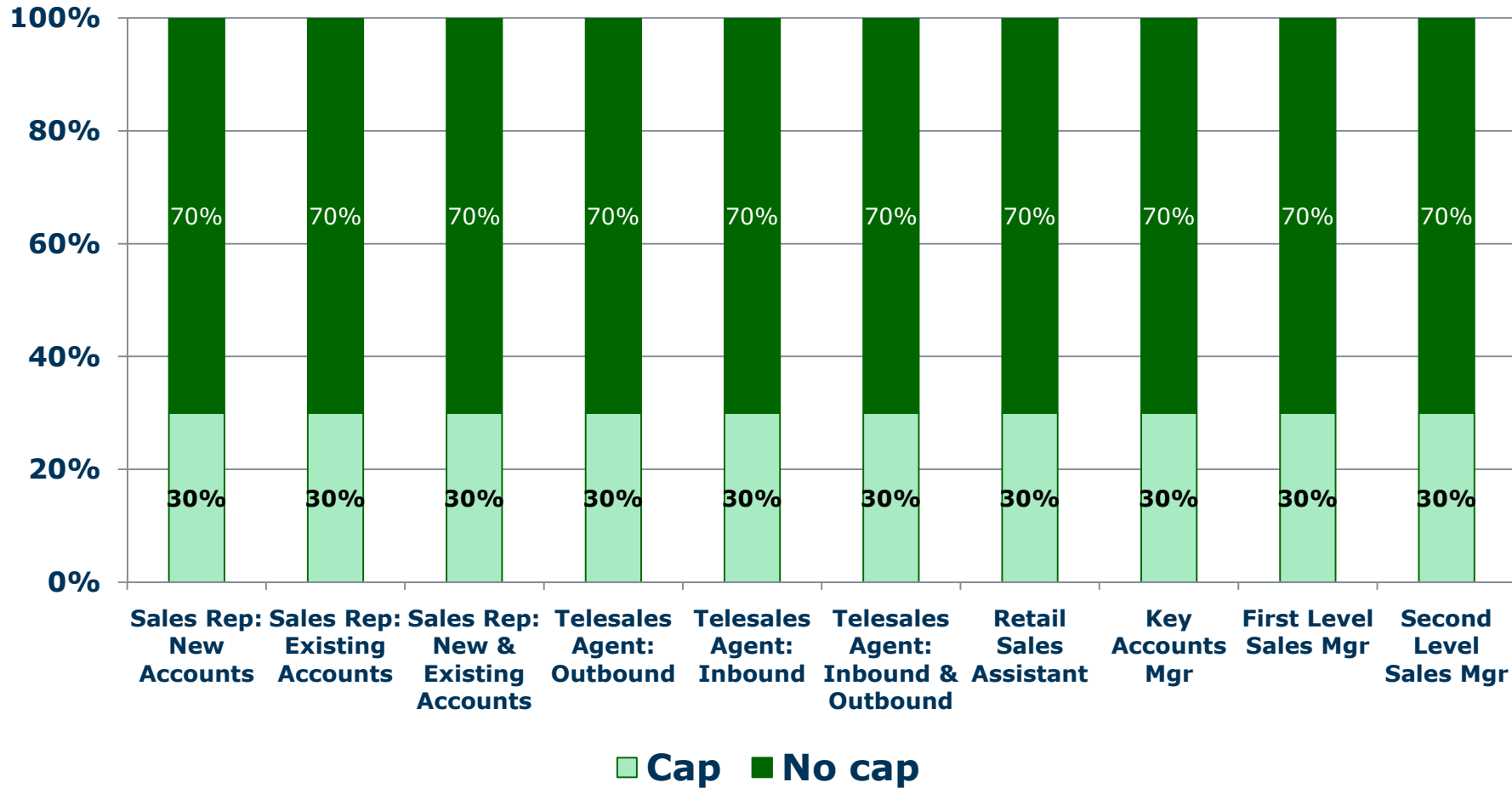
Remchannel Survey – Thresholds

Note - Dummy data, actual data will be input once survey results available in October



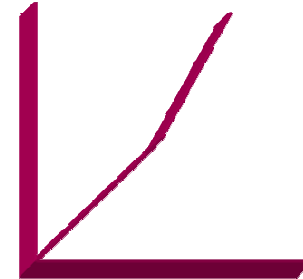
Remchannel Survey – Caps

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Lesson 3 for Sales Plans

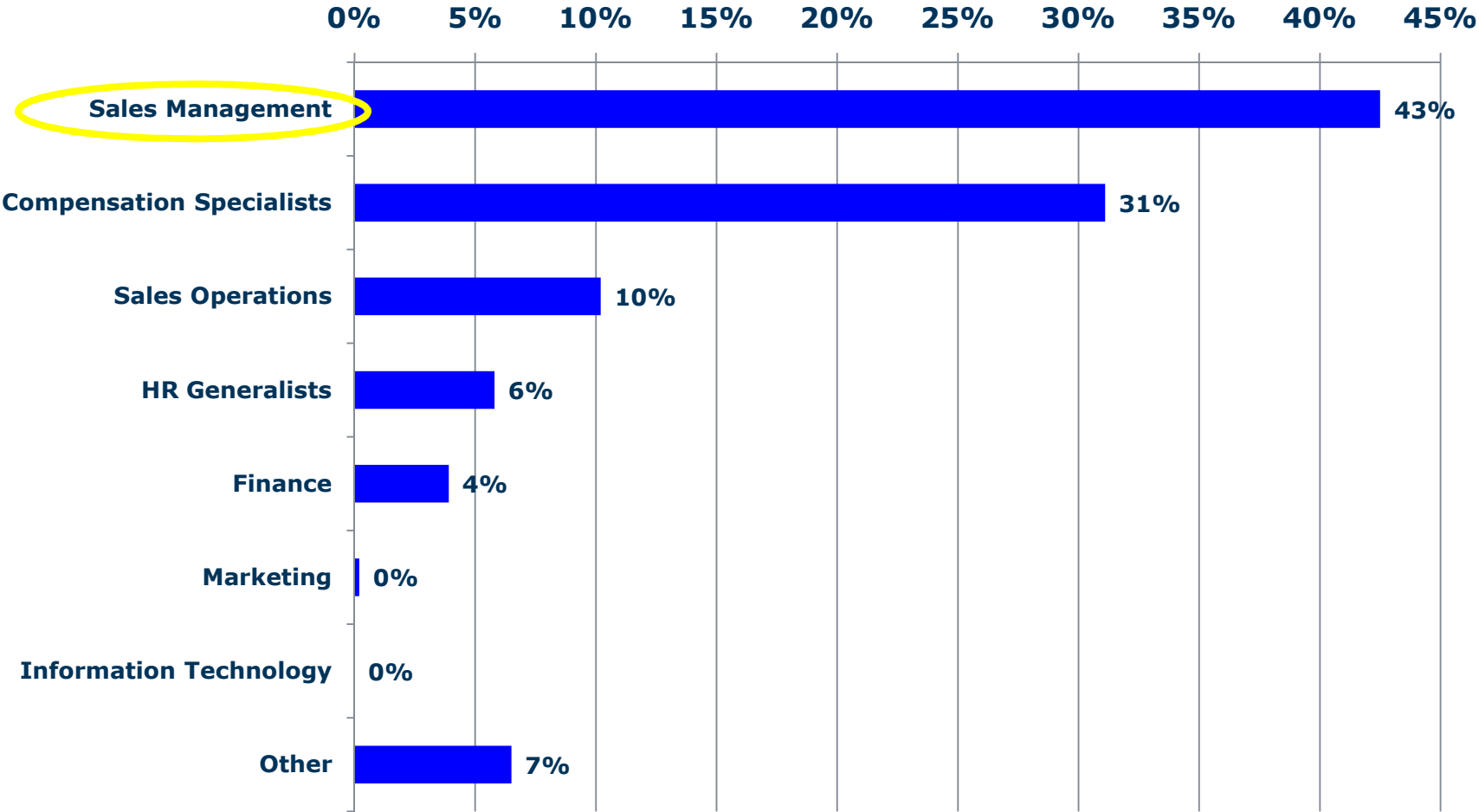
- Should generally use progressive ramps with sales positions as more motivational
- Threshold sends message to account sellers that commission not automatic – need to first earn it, not ideal for retail sales
- Caps de-motivating for sales positions



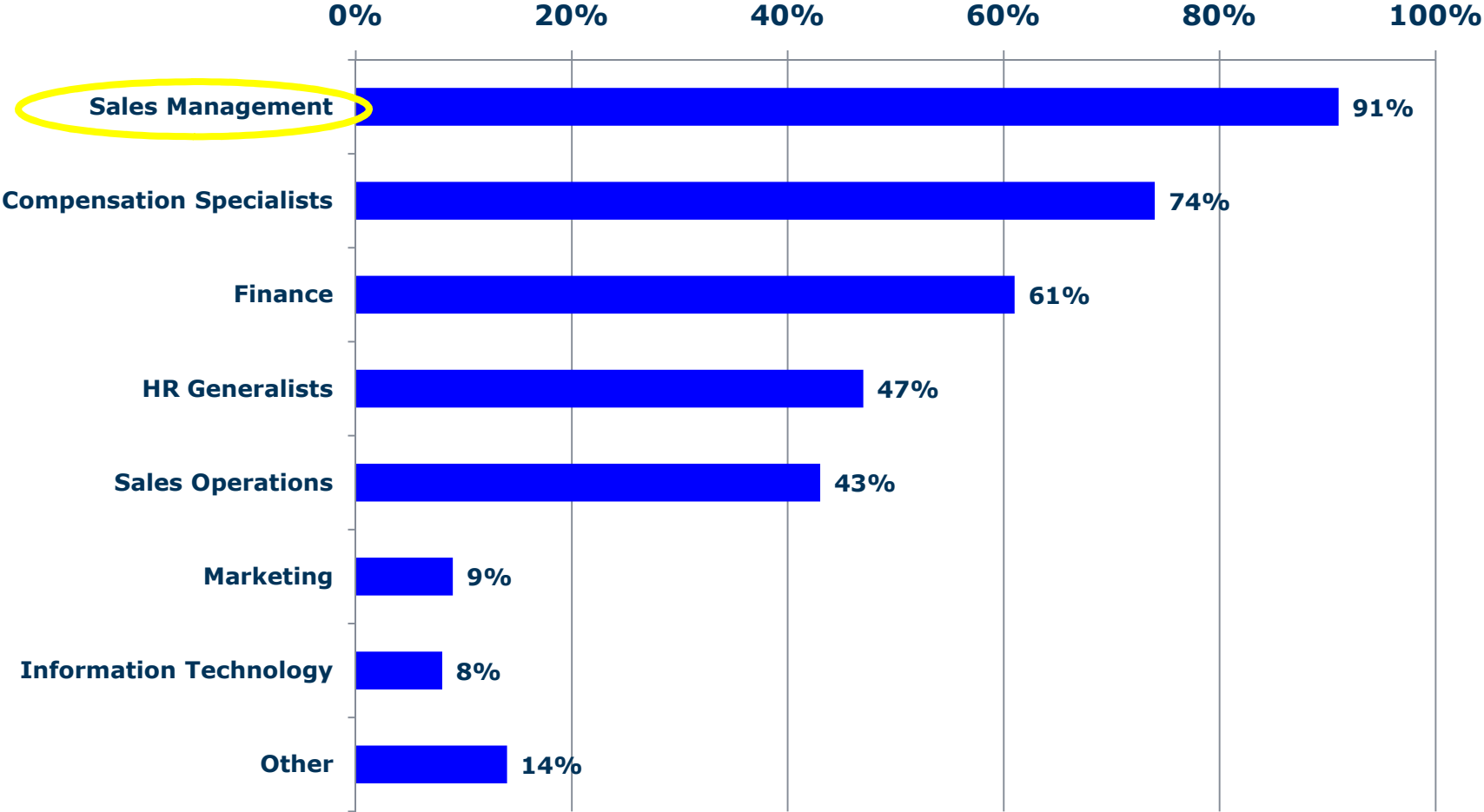


Composition of
Sales Comp
Design Team

Worldatwork Survey – Who leads the Design Process

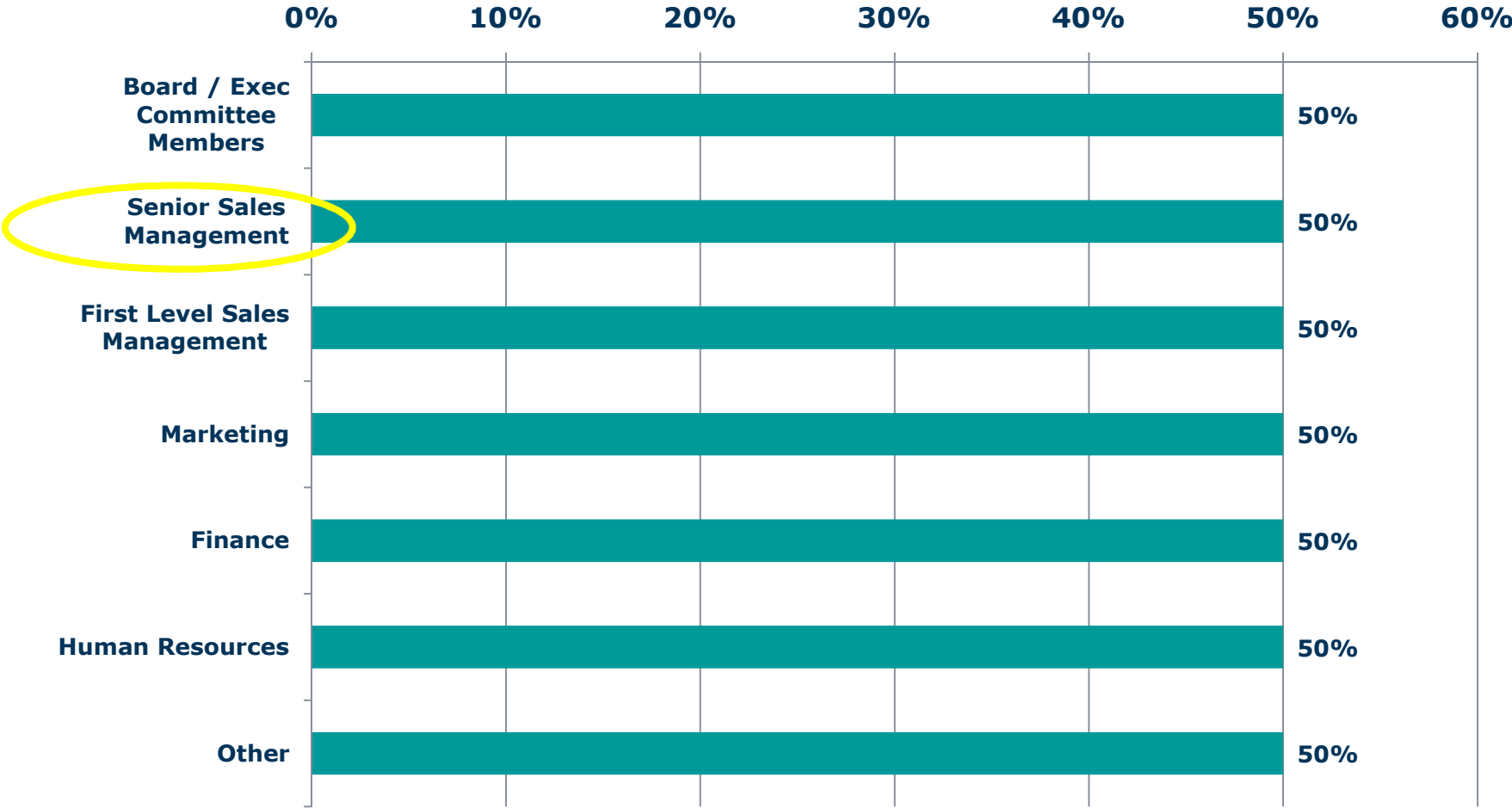


Worldatwork Survey – Who participates in the Design Process



Remchannel Survey – Who participates in the Design Process

Note - Dummy data, actual data will be input once survey results available in October



Lesson 4 for Sales Plans

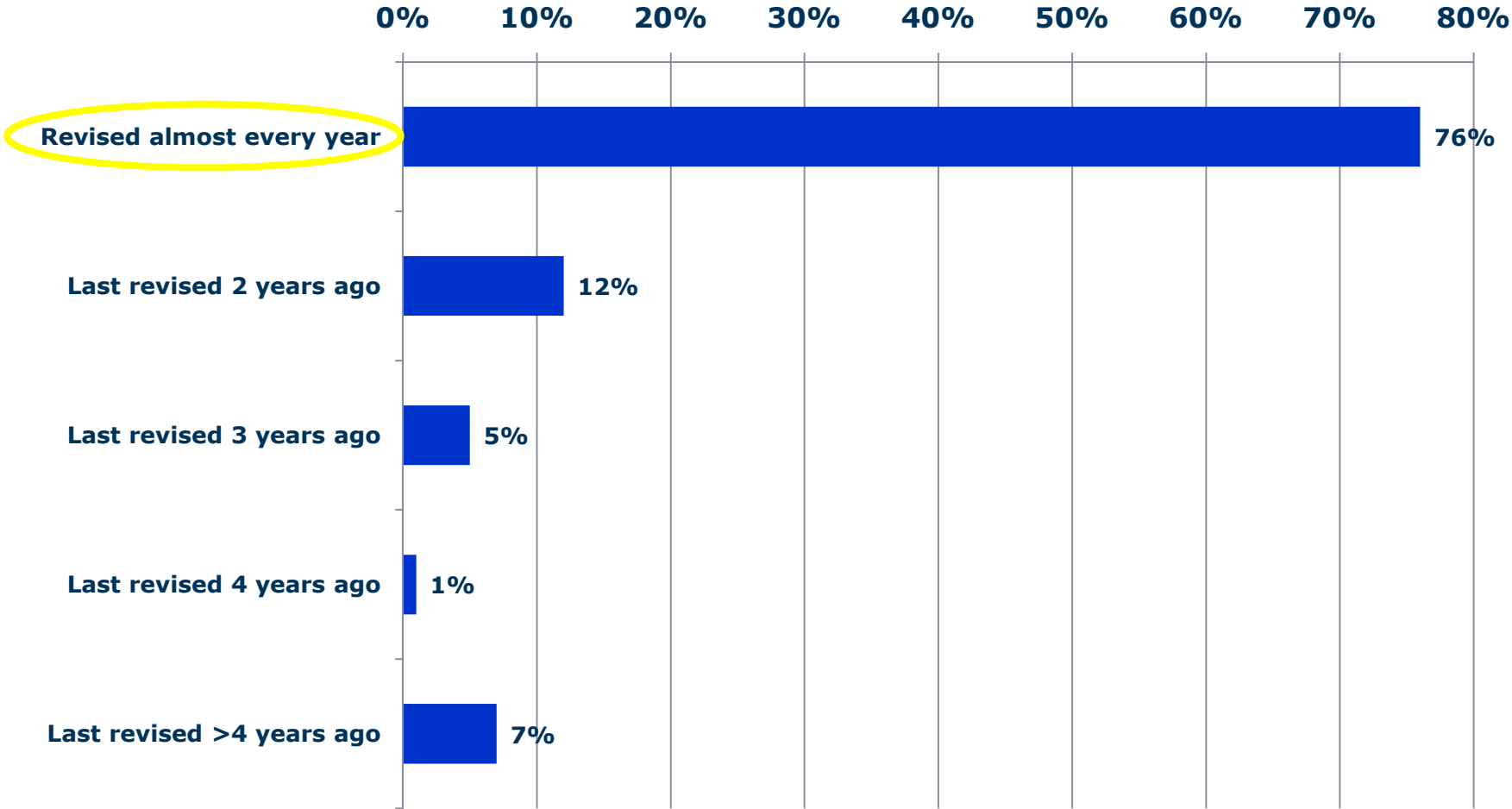
- Sales management should lead the design team
- Design team should not include anyone whose comp will be directly affected by the outcome – survey Sales Reps beforehand
- HR / Reward should provide market data, guidelines, best practice, should guide but not dominate the process (be like the optometrist)
- Involve other areas as required (don't waste their time)



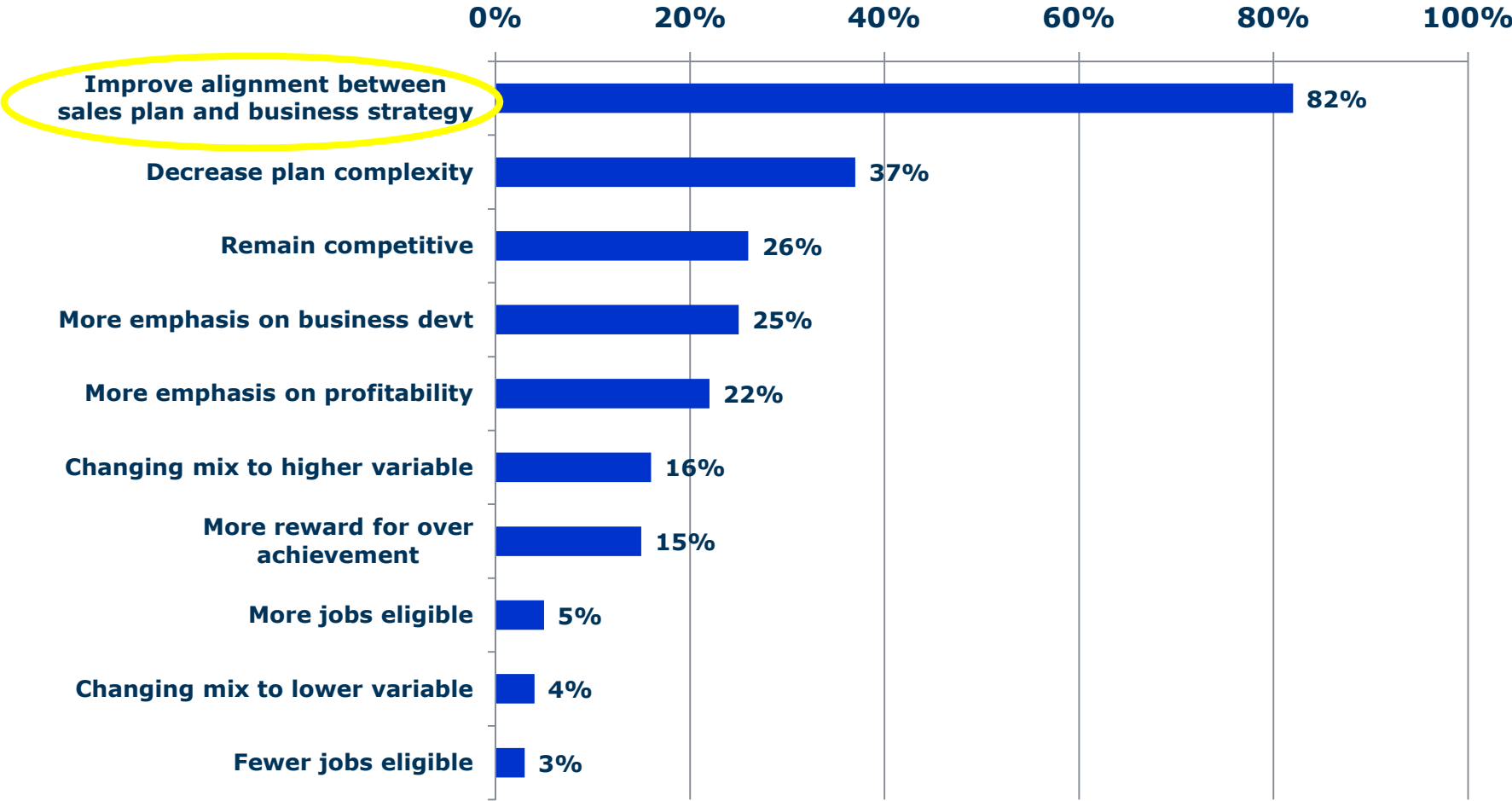


**Revision of
the Sales
Plan –
how often,
reasons**

Worldatwork Survey – How long since last revision of Sales Plan

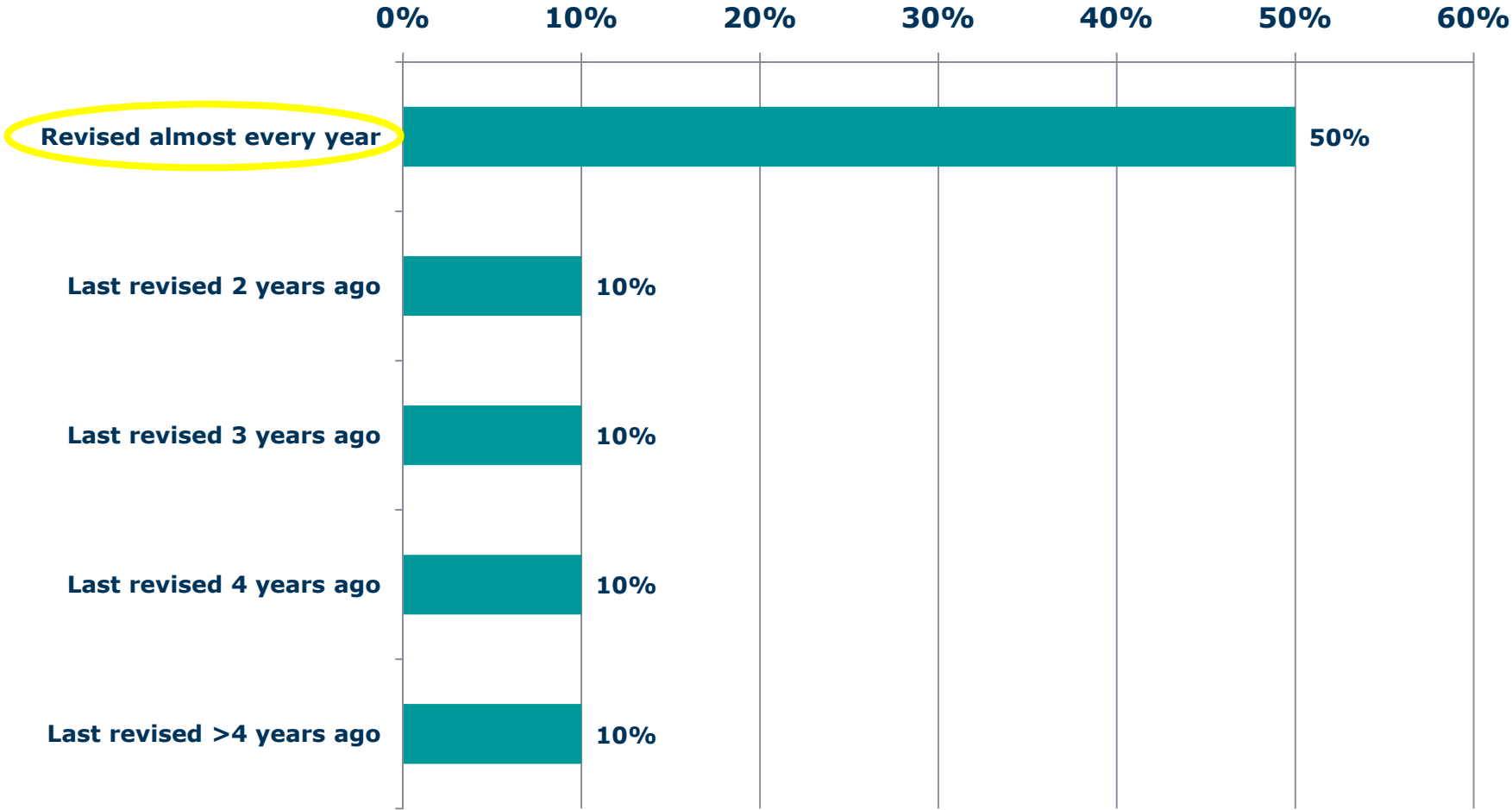


Worldatwork Survey – Major reason for revision of Sales Plan



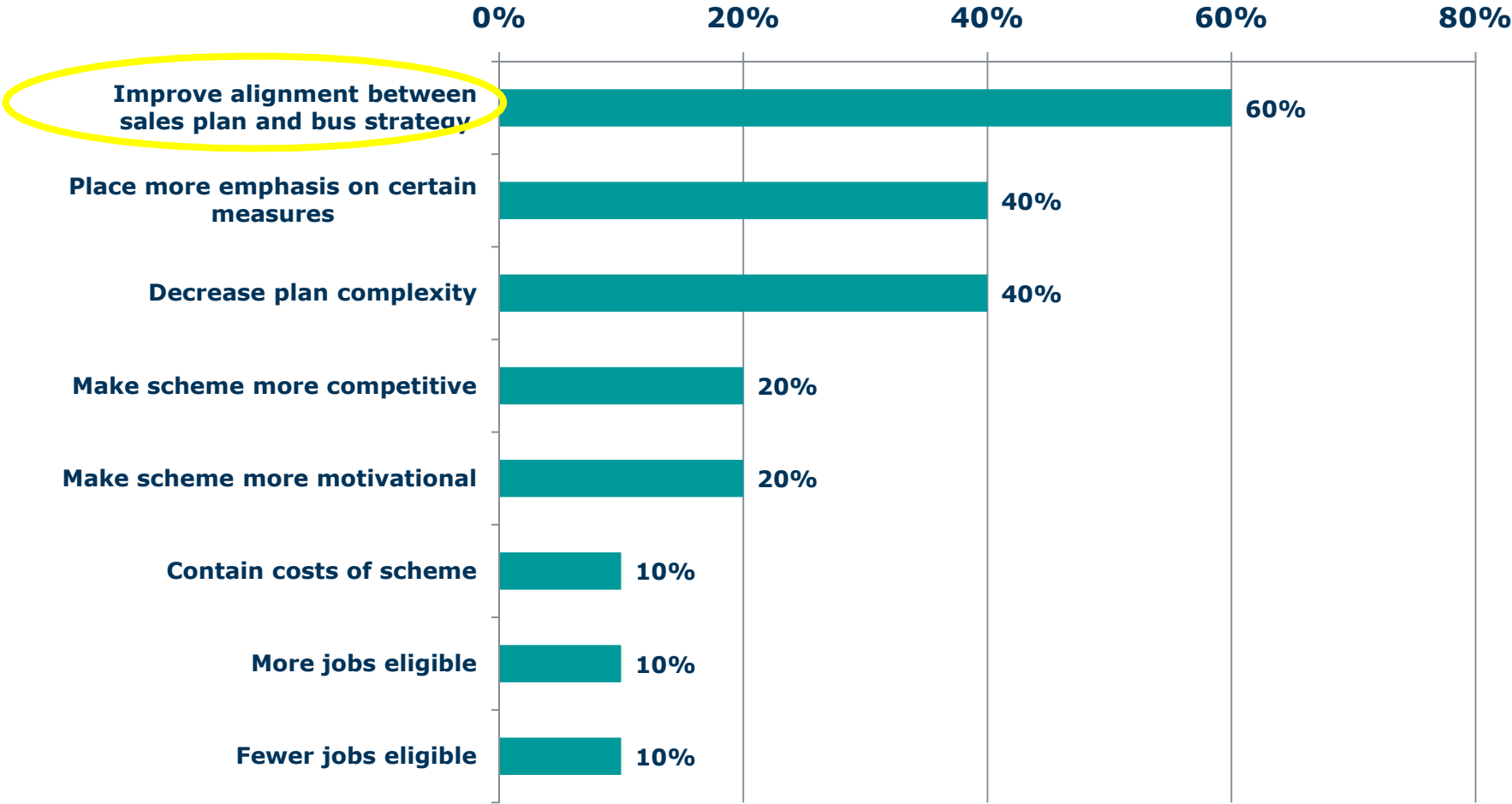
Remchannel Survey – How long since last revision of Sales Plan

Note - Dummy data, actual data will be input once survey results available in October



Remchannel Survey – Major reason for revision of Sales Plan

Note - Dummy data, actual data will be input once survey results available in October



Lesson 5 for Sales Plans

- Sales plans should be reviewed annually (should not be perceived as a design failure)
- Alignment with business is critical
 - type of measures
 - targets
- Effectiveness of plan needs to be considered
 - did it achieve the business goals
 - did it motivate the right behaviour
 - were sales staff competitively rewarded





Summary of Lessons

- Tailor pay mix to sales job
- Keep the design simple
- Focus on income measures
- Progressive ramps, limit caps
- Sales mgmt lead design team
- HR there to give input / guide
- Should review plan annually
- Alignment to business is critical

Questions?

Pick n **P**ay

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