

Sales Compensation Practices Survey Report: 2014 - 2015

November, 2014



**Wilson
Group**TM
Concord, MA

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PART I

Overview of the Survey and Participants Profile

I. Overview of the Survey and Participants Profile

Overview of the Survey

This survey was created to fill an important gap in information about sales compensation plans. While traditional compensation surveys show how much people make in various positions, there is usually little specific information on how companies structure their sales compensation plans. Further, as companies consider changes in their business and sales strategies, it is often very important to re-examine the sales compensation plan so that it aligns effectively with the firm's strategy. Finally, as companies face a more competitive environment, how people are paid is as important as how much. In fact, one of our clients told us that how the plan is structured will attract the type of people they need more than how much. Interesting point. The structure of the plan will attract certain individuals with a particular sales orientation and will encourage certain behaviors. Are you getting what you want/need from your sales force? Hopefully, this survey report provides information and insights on how companies structure their sales programs and the relationship between pay and performance.

Based on the results of this survey, several of the most important findings include:

1. Most of the firms are focused on generating new customer/clients as a priority of their sales compensation plans. This is reflected well in the description of their growth strategy and in the type of measures used for their sales representatives.
2. The pay mix continues to vary based on the type of role of the sales person. They break out as follows:

Position	Base Salary	Variable Comp/Incentives
Direct sales	60%	40%
Account Manager	70%	30%
Inside Sales	75%	25%
Sales Manager	80%	20%

There were obviously some variations among the industries and companies participating in the survey.

3. Payout levels above target accelerated at a higher rate than shown in last years survey. In this survey, individuals that achieve 150% of plan receive incentives that are 265% of target; those that achieve 200% of plan receive 350% of target payout. This shows a more aggressive payout for performance that is above target. Companies are willing to pay extremely well for exceptional performance.

I. Overview of the Survey and Participants Profile

Overview of the Survey (continued)

We hope that you enjoy this report and find it easy to find the information you need to improve the effectiveness of your sales incentive plans. If you have any questions or would like to discuss how your company compares to the market practices, please contact us. We look forward to being of service to you. Our phone number is 978-371-0476 or contact Tom Wilson at twilson@wilsongroup.com. Thank you, and enjoy the report.

Thank you,

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I. Overview of the Survey and Participants Profile

Demographics: Profile of the Participating Companies

The survey includes information from 27 companies. The companies primarily come from four industries – Technology (22%), Consumer Products/Retail, Manufacturing, and Insurance (each had the same number of participants - 19%), Professional Services/Communication (15%), and Life Sciences (7%) rounds out the industries represented.

These companies were primarily privately held (59%); approximately one-third were public companies (33%) and the others (8%) were comprised of US and non-US subsidiaries. Many of the companies are considered mid-market (median revenues of \$200M) and five companies had revenues over \$1B. Approximately 10% of the employees are in the sales function, and the total compensation to sales people reflects on average 14% of total payroll in these companies.

Demographics:	<u>Median</u>	<u>25th Percentile</u>	<u>75th Percentile</u>	<u>Average</u>
Annual Revenues:	\$200M	\$25.5M	\$763.8M	\$652.2M
Total No. of EEs:	500	111	2,500	2,357
Total payroll:	\$18.8M	\$ 5.6M	\$99.1M	\$74.0M
Number of Sales Employees: 41 (average of 10% of the overall workforce)		17	121	117 (The high average was due to a few participants with a large salesforce.)
Total Sales Compensation: \$ 3.6M (On average, sales compensation was 14% of overall payroll)		\$ 1.3M	\$ 6.5M	\$ 4.4M

I. Overview of the Survey and Participants Profile

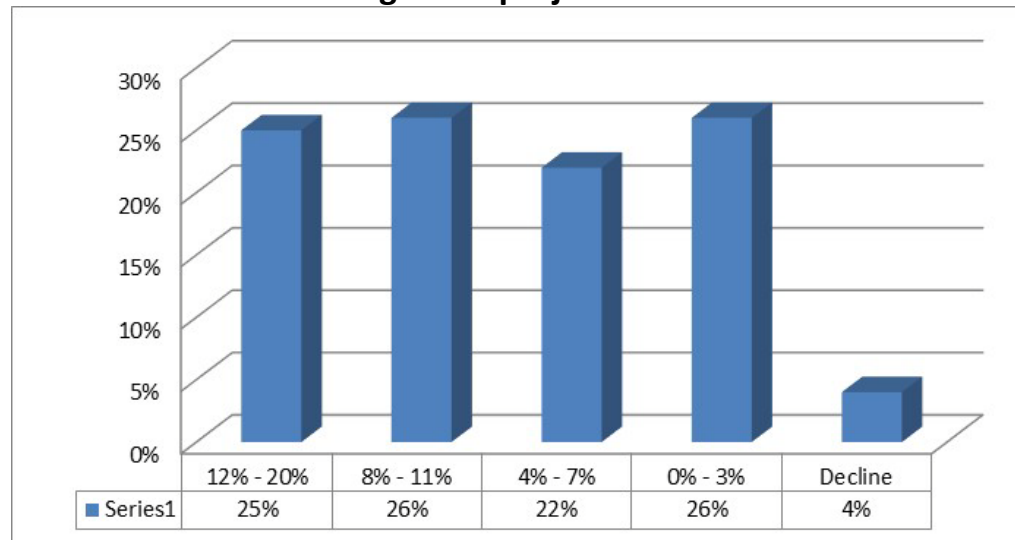
Demographics: Revenue growth projections for 2014

This group of companies is clearly in a growth mode. Approximately 51% have revenue growth projections for 2014 that exceeded 8% over 2013. Only one organization was forecasting a decline in sales.

In terms of staffing, 42% of the companies were increasing the number of sales people, 54% were making no change to the staffing level, and 4% were decreasing the staffing levels. This pattern shows that companies are looking to increase revenues between 10% and 15% using the same number of sales professionals in their organization.

The respondents characterized their organization into two groups: (1) 41% Formalizing and Professionalizing their organizations, and (2) 44% viewed themselves as Re-inventing their organization. No firm characterized themselves as a Start-up/Emerging Growth and only one firm saw themselves as Consolidating/Diversifying their operations. These are companies that are clearly adapting themselves to a changing marketplace.

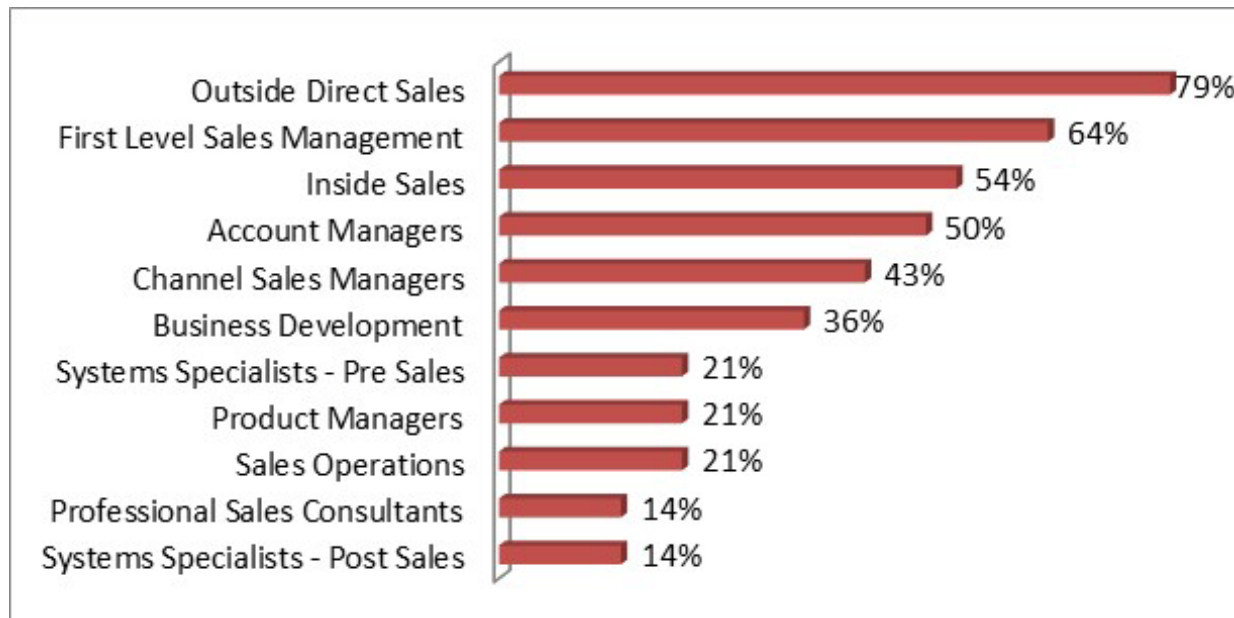
Revenue growth projections for 2014



I. Overview of the Survey and Participants Profile

Positions Included in Sales Compensation Plans

The table below shows the percent of companies that have one or more positions included in their sales compensation plans. Obviously, the first level of sales managers, those in direct sales and direct inside sales are included in a sales incentive plan for most of the companies. Slightly less than half include account managers, channel or indirect sales managers, and business development sales in their sales compensation plans. There were no consistent patterns of who is included or excluded by industry. Most of the eligibility tended to reflect the organization of the sales function rather than the industry practices. More pre-sales systems specialists were included in the sales plans than post-sales specialists.



I. Overview of the Survey and Participants Profile

Eligibility for Merit Pay and Equity based Compensation

Fifty percent (50%) of the companies provide **annual merit pay review and increases**, similar to the way they handle other employees. Thirty percent (30%) provide increases on an as needed basis to retain competitiveness and 12% indicated that they were giving merit raises that were less than the standard employee raise.

The merit pay increases planned or delivered in 2014 are as follows:

25 th Percentile	2.5%
50th Percentile (median)	3.0%
75 th Percentile	3.9% (one company is providing increases of 10%)

Few sales professionals are eligible to receive **equity based awards** in the participating companies. The most likely job is the First Level of Sales Management. The following table shows the type of equity vehicle utilized for long-term incentive awards and the percent of companies using this vehicle for each sales job covered in the survey:

	Eligible for Equity Awards	Stock Options	Restricted Stock	Restricted Stock Unit	Phantom Share
Eligible for Equity Compensation					
Outside Direct Sales	21%	11%	11%	0%	0%
Account Managers	25%	13%	13%	0%	0%
Inside Sales Reps	12%	13%	0%	0%	0%
First Level Sales Management	57%	29%	29%	0%	0%

I. Overview of the Survey and Participants Profile

List of Survey Participants

47 Brand	Keystone Partners
AMETEK	MAPFRE Insurance
Analog Devices	Mathworks
Charles River Laboratories	MorphoTrust USA
ClearRock	nora systems, Inc.
Constant Contact, Inc.	PartyLite Worldwide, LLC
CVS Caremark	Powderhouse Productions, Inc
Data I/O Corporation	Stavis Seafoods
Datawatch	Stratus Technologies
Deluxe Corporation	The Hanover Insurance Group
DentaQuest	The Main Street America Group
IANS	THG Corp
IMTRA Corporation	Wilsonart
IWP	

PART II

The Structure of Sales Compensation Plans

II. The Structure of Sales Comp Plans

Overview of this Section

This section of the report will provide a summary of the responses for all participants. There was inadequate data on the Channel Manager position. The survey examined the sales practices for four (4) positions. These are:

- Direct Sales Executive
- Account Manager
- Inside/Tele Sales Representative
- First Level Sales Management

This section will examine the sales compensation design elements for each of these positions. We will first provide the job profile that was included in the survey. Participants were asked to indicate their confidence (expressed as a percentage) of their job match to the job profile. The average responses of the confidence factor exceeded 90% for each of these jobs.

In the section that follows (Section III) we will examine the responses to the most critical questions, or ones where there were the most variance in responses, by industry and by company size (based on revenues).

We hope this information provides important insights to your company's sales compensation practices as you compare them to the market.

II. The Structure of Sales Comp Plans – Direct Sales

Summary of the Position

The following is the position profile on which the respondents based their sales plan information:

Direct Sales Executive:

Responsible for generating new and/or existing sales from assigned territories, product lines or named accounts. Involves contacting, visiting and building relationships with prospects. Builds a network of referral sources and/or handles leads generated through the company's marketing initiatives. Participates in analyzing the customer's needs and opportunities, presenting products and services that can address the customer's needs, and closing the contract agreement. Demonstrates knowledge of the organization's products and services, and may have in-depth knowledge of a subset of products or services. This is the seasoned, mid-career level sales position. Requires a minimum of an associate's or bachelor's degree or its equivalent with 6-9 years of experience in the field or in a related sales area. Relies on experience and judgment to plan and accomplish goals, and utilizes trained sales skills and practices consistent with the firm's marketing and sales strategies. Typically reports to a district or regional manager or head of a unit/department.

II. The Structure of Sales Comp Plans – Direct Sales

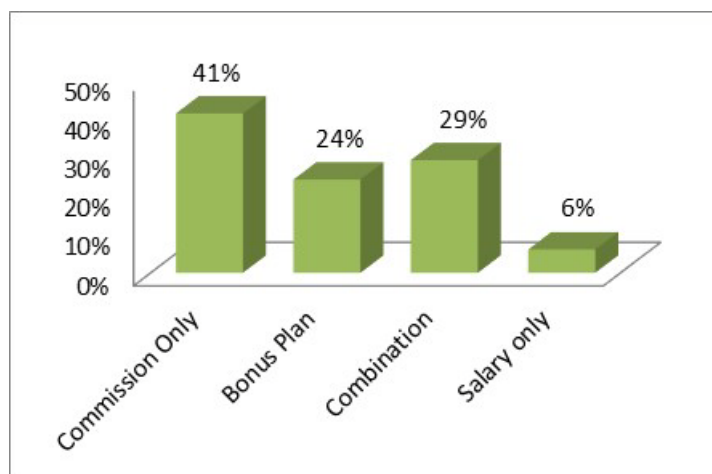
Median Total Compensation

We asked the participating companies to provide us with their median salary and on-target total cash compensation for this position. The data below shows the distribution of the compensation levels. It shows that salaries are customarily 60% of the total cash compensation at target performance, or a salary of \$85,000 and total cash compensation of \$134,000 for the Direct Sales Executive. The range of data provided for this position is also shown.

Total Cash Compensation by Percentile	Salary	On-Target Total Comp	Salary as % of On-Target Total Comp
Average	\$ 76,226	\$ 144,736	60%
25th Percentile	\$ 55,877	\$ 117,750	50%
50th Percentile	\$ 85,000	\$ 134,000	60%
75th Percentile	\$ 93,000	\$ 185,000	73%
90th Percentile	\$ 112,000	\$ 203,000	81%

Type of Sales Compensation Plans Utilized

The following table shows the type of plans most common for this position. It shows that 41% of the companies utilize commission only based compensation plans, and 29% provide a combination of commission and bonus plans for these sales representatives.



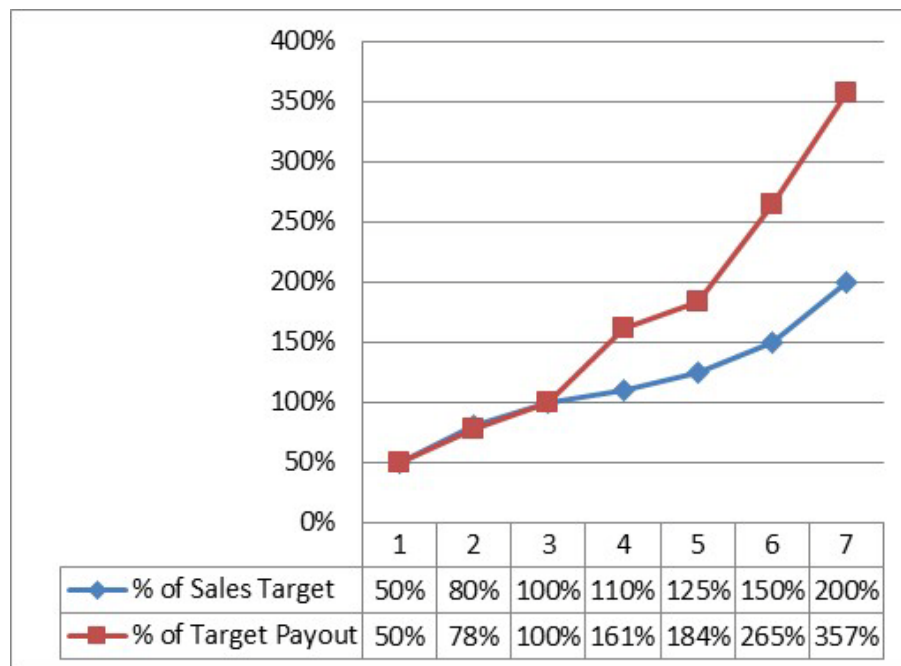
II. The Structure of Sales Comp Plans – Direct Sales

On-Target Earnings -- Performance Factors

Virtually all participants (65%) indicated that their compensation plans were based on individual performance factors. In addition to individual measures, 9% of the participants use team/group measures, another 13% use regional or overall sales performance, and 13% use corporate performance to determine the payouts.

On-Target Earnings -- Performance and Pay Relationship

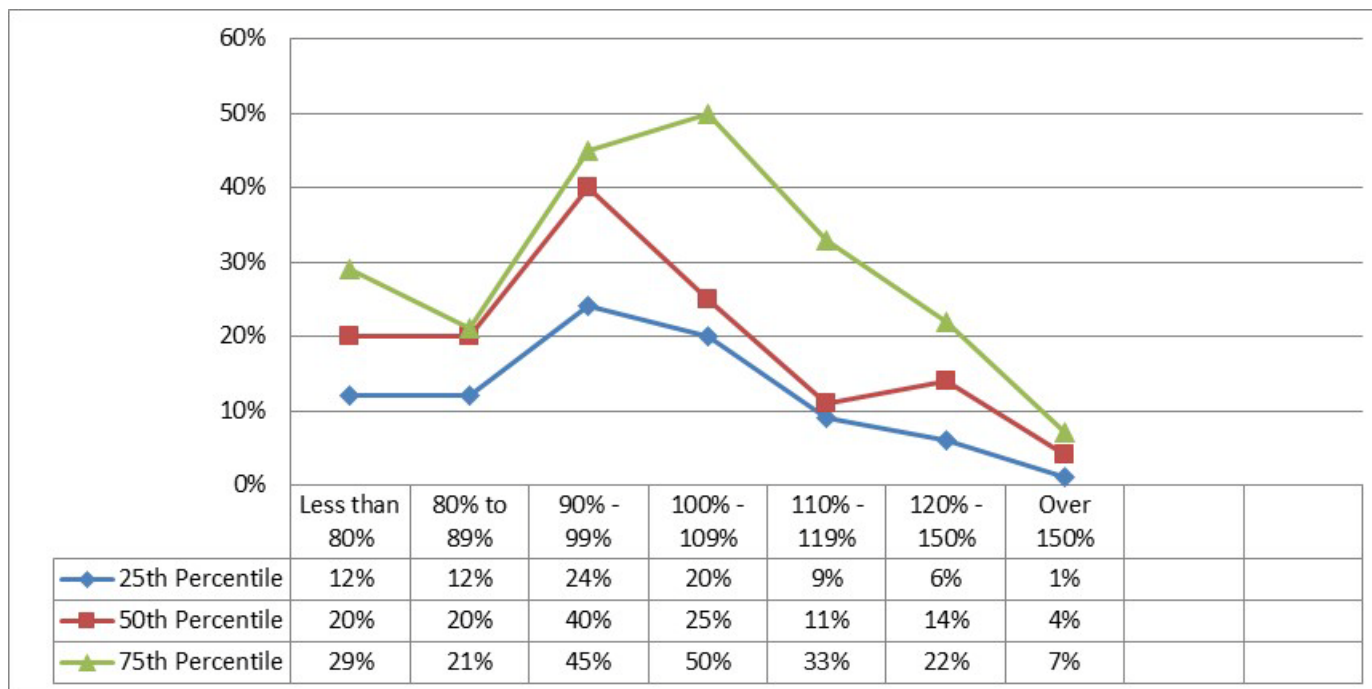
The targeted earnings correspond to the same level of performance (as a percent of quota or goal target). The payout for performance that is below target corresponds closely to the actual performance to quota or goal, but the payout for performance that is above quota accelerates to approximately 1.8 of the performance to quota.



II. The Structure of Sales Comp Plans – Direct Sales

Performance Distribution

The chart below shows the distribution (25th, 50th and 75th Percentile) of actual performance to sales quotas or goals. When considering all the data, only 54% of the companies indicated that in 2013 their sales executives scored above quota/goal. The distribution shows that 30% of the sales performers achieved below 90% of their goal, while 49% achieved 90% - 110%, and 22% achieved above 110% of sales quota.



II. The Structure of Sales Comp Plans – Direct Sales

Frequency of Payouts

The sales commission plans for this position are usually paid on a monthly basis, with some paying on a quarterly basis. On further examination of the data, virtually all those that have little to no base salary make their payouts on a monthly basis.

Monthly	56%
Quarterly	25%
Semi-Annual	6%
Annual	13%

When Payouts are Made

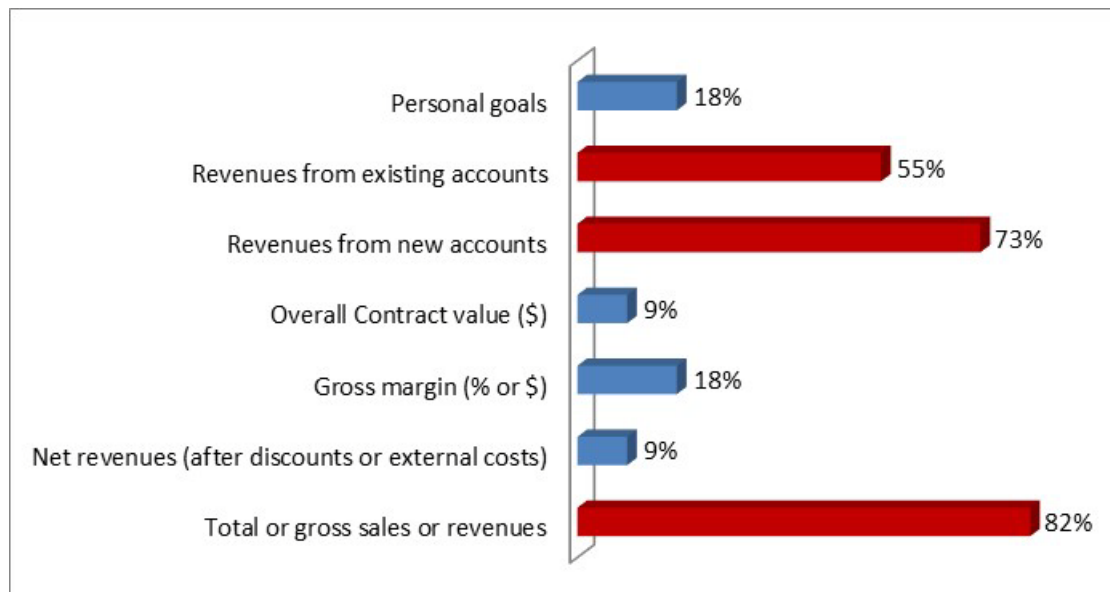
When people are paid is a more challenging issue than how often. There is greater diversity of opinions on this design element. The table below shows the average responses for when incentive payouts are made. While most companies pay when the product is invoiced, the booking or contract agreement or a combination of these factors is also used by several companies. The combination frequently will pay something at the booking, and the balance when the product is shipped or delivered. Smaller companies tended to use “when collected” to address their concerns with cash flow.

When booked	29%
When shipped/delivered	6%
When invoiced	47%
When collected	12%
Combination	6%

II. The Structure of Sales Comp Plans – Direct Sales

Performance Measures

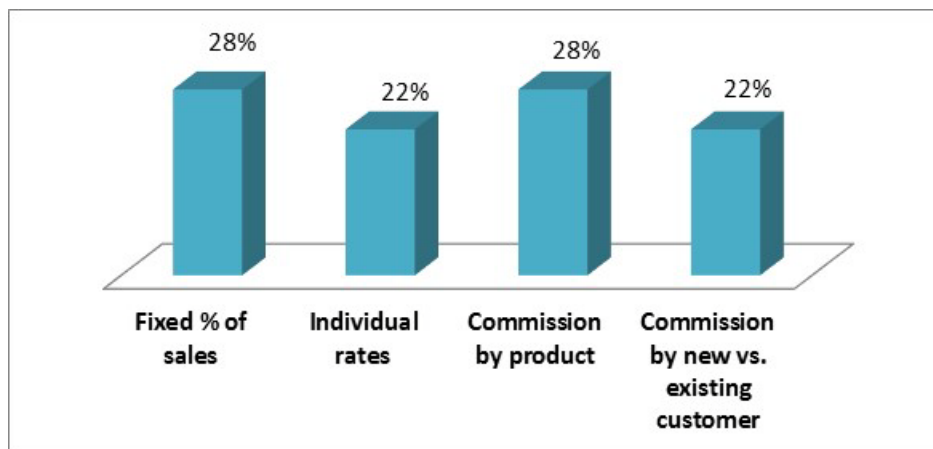
The primary focus of these positions is clearly on generating sales or revenues for the company. For the Direct Sales, the emphasis tends to be on NEW accounts for many of the participating companies. This is consistent with the summary of the sales strategy outlined in the earlier section where growth is focused on gaining new customers. The following are the performance measures used in these plans. Clearly gross sales is the predominate measure. Seventy three percent use sales from new accounts and 55% use revenues from existing accounts as measures in their sales incentive plans. This reflects the importance of generating sales from existing customers as well as market share or growth from new customers.



II. The Structure of Sales Comp Plans – Direct Sales

How commissions are determined

There are a wide range of practices when it comes to how commissions are determined. Approximately 28% of the participants have a fixed commission rate while 22% use rates that are tied to the individual's on-target earnings. Another 28% use different commission rates by product to emphasize the priorities of the sales strategy. Another 22% of the participants set a different commission rate if the company is a renewal/existing customer versus a new customer.



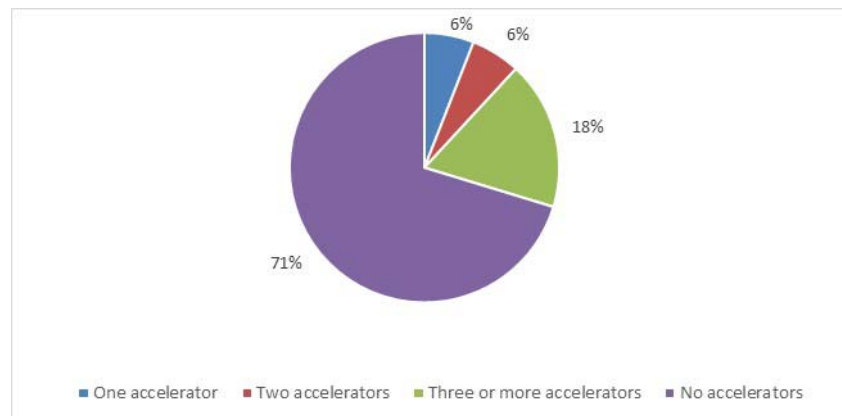
When performance begins earning income

Approximately 50% of the participating companies start paying commission on the first dollar of sales and the other 50% pay commissions once a sales threshold has been achieved. For these companies in particular, there is a base salary that is established, and the threshold is intended to “pay for” the base salary.

II. The Structure of Sales Comp Plans – Direct Sales

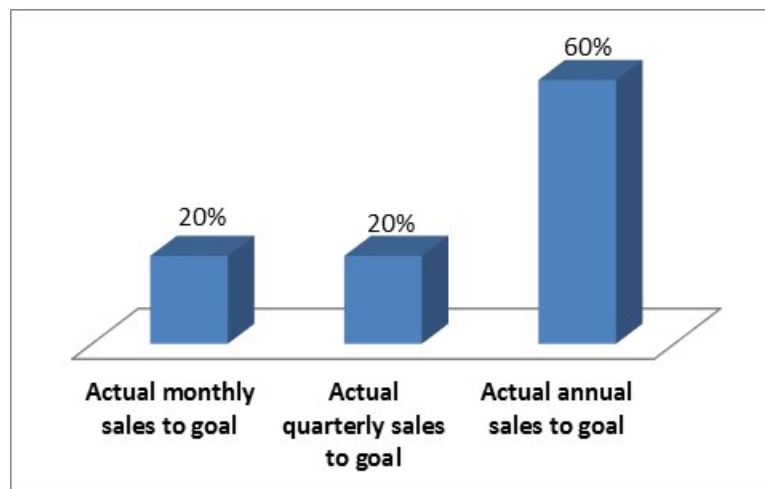
Commission accelerators -- Prevalence

Most companies (71%) do not provide an accelerator to their commission rates. When accelerators (i.e., an increase in the commission rate) are used, there tends to be 3 or more points of acceleration.



Commission accelerators -- Triggers

For those companies that use accelerators for their commission rates, most increase the rate based on sales performance achievements on an annual basis.



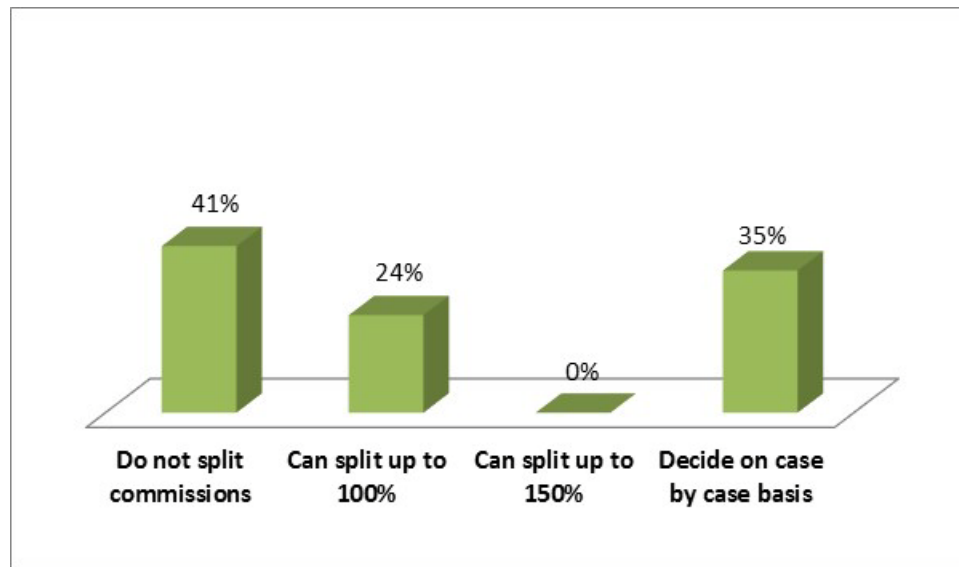
II. The Structure of Sales Comp Plans – Direct Sales

Use of thresholds, caps or decelerators on sales income

Of the companies reporting the use of thresholds before commissions are paid, the average percent of sales quota was 50%. The range was from 21% to 83% of goal. Approximately 63% do not use caps on sales commission earned. For those that do, 3 use a total income cap and 3 use a decelerator on the commission rate over an established level. In these companies the commissions continue to be earned, but the rate is the base level. This keeps the company from experiencing significant and unfair payouts while continuing to reward performance.

Splitting sales credits

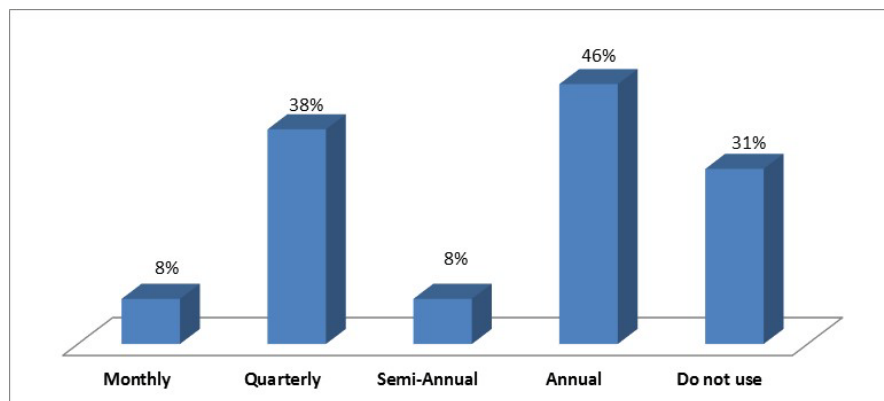
From time to time, a sale may involve more than one person. Since most of these sales plans are based on individual performance, how does a company reinforce collaboration on the sale? In this group of companies, several enable the sales people to split the current sales commission based on the contribution to achieving the sale, while the majority decide this on a case by case basis.



II. The Structure of Sales Comp Plans – Direct Sales

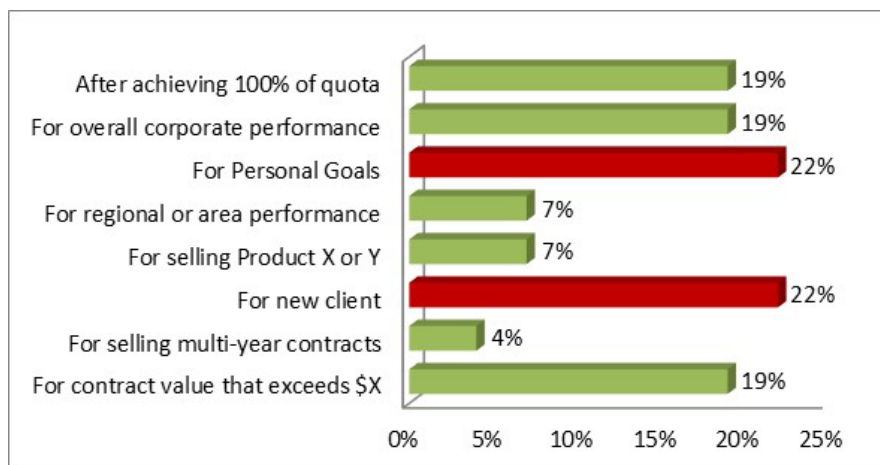
Bonus Plans – Frequency of payouts

As noted earlier in this report, approximately 53% of companies have a bonus plan as part of their sales incentive plan (24% have bonus only and 29% use a combination of commissions and bonuses). Slightly less than half of this group make bonus payouts on an annual basis and a third (38%) make payouts on a quarterly basis. A few companies make these payouts on a monthly basis.



Bonus Plans – Performance measures

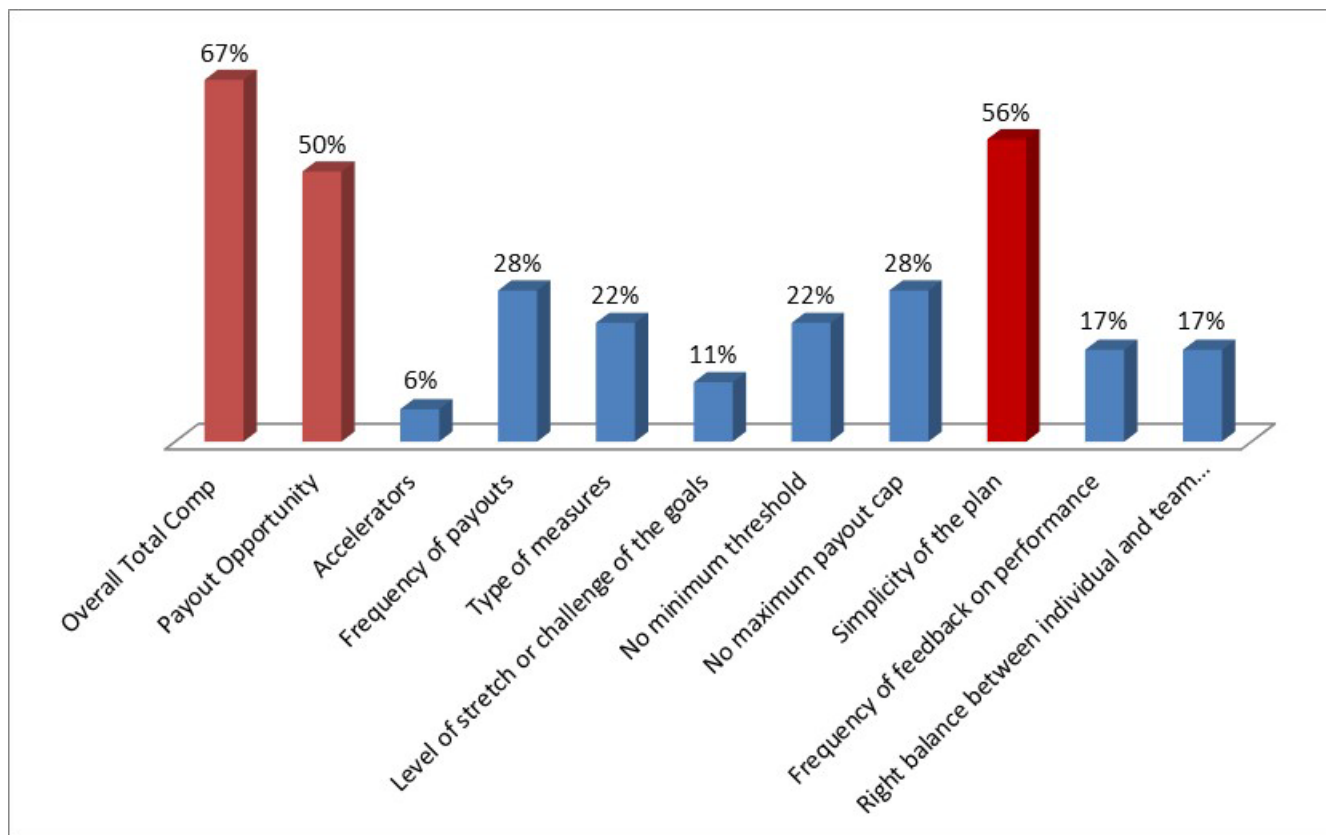
Approximately one quarter of the survey participants make bonus payouts associated with meeting new client quotas and another quarter use bonuses to reward personal performance goals. Again, this appears consistent with the sales strategies described earlier.



II. The Structure of Sales Comp Plans – Direct Sales

Most important and effective elements of the sales compensation plan

“Best Practices” are hard to define particularly in a highly volatile marketplace. So we asked the participants to tell us what they believe are the most important elements of their sales compensation plans, what makes it an effective program. While there was little consensus on the elements, the most important factors seem to be related to the amount of pay generated by the sales compensation plan and the degree it is simple to understand and utilize.



II. The Structure of Sales Comp Plans – Acct Mgr

The following is the position profile on which the respondents based their sales plan information:

Sales Account Manager:

Responsible for generating sales from assigned existing accounts and retaining strong favorable relationships with their customers. Is usually responsible for developing and/or expanding existing accounts within the assigned territory, and ensures that company's products or services consistently meet customers' needs. This job is key to the company's strategies for customer satisfaction and experience. May be responsible for sustaining and renewing client contracts. May require a bachelor's degree and at least 3 to 5 years of experience in the field or in a related account management area. Familiar with a variety of the sales and account management concepts, practices, and procedures. Relies on extensive experience and judgment to plan and accomplish goals. May lead and direct the work of others. Typically reports to a manager of major accounts or a district or regional manager.

II. The Structure of Sales Comp Plans – Acct Mgr

Median Total Compensation

We asked companies to provide us with the salary and on-target total cash compensation for this position. The data below shows the distribution of the medians of these positions. It shows that compensation mix is 70% for base salaries and 30% for incentive pay.

Total Cash Compensation by Percentile	Salary	On-Target Total Comp	Salary as % of On-Target Total Comp
Average	\$ 100,074	\$ 142,278	70%
25th Percentile	\$ 77,500	\$ 96,500	80%
50th Percentile	\$ 99,622	\$ 137,500	72%
75th Percentile	\$ 123,000	\$ 184,000	67%
90th Percentile	\$ 142,000	\$ 215,000	66%

Type of Sales Compensation Plans Utilized

The following table shows the type of plans most common for this position. It shows clear differences between companies that have this position. There is a tendency to utilize commission plans, but other types of plans are also prevalent.

Type of Sales Plan Utilized	Commission Only	Bonus Plan	Combination	Salary only
	33%	33%	33%	11%

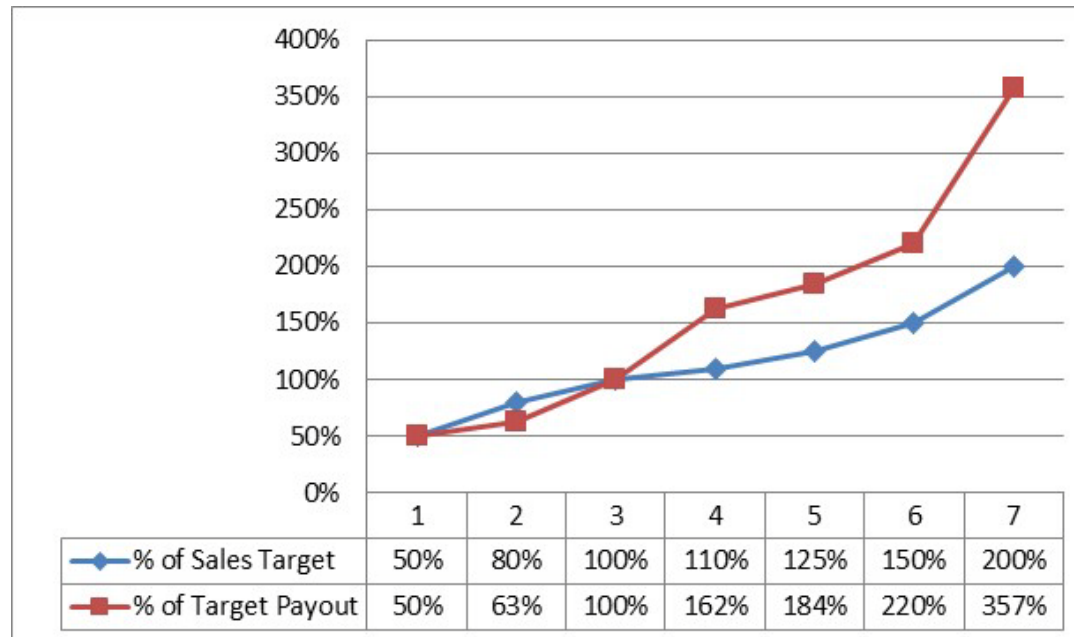
II. The Structure of Sales Comp Plans – Acct Mgr

On-Target Earnings -- Performance Factors

Virtually all participants indicated that their compensation plans were based on individual performance factors. However, a large number utilize regional or overall sales performance, team/group performance or corporate performance. This reflects the structure of these sales plans as having greater interdependency than shown for direct sales executives.

On-Target Earnings -- Performance and Pay Relationship

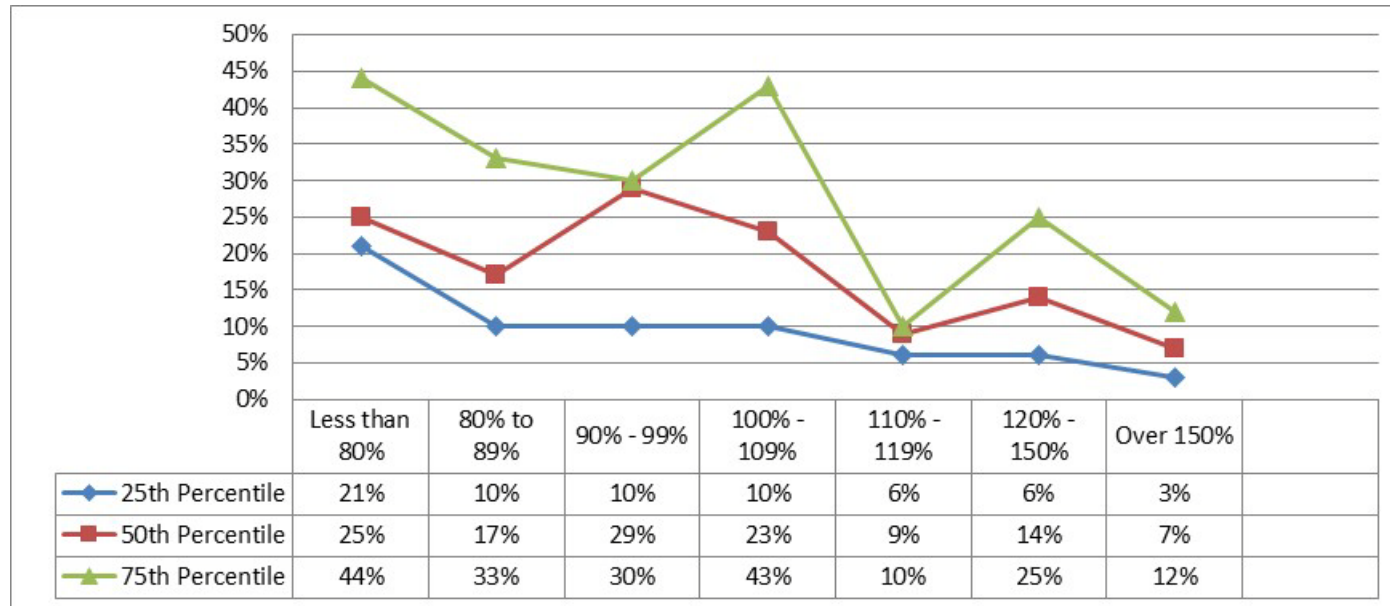
The chart below compares the sales target performance at seven levels with the payouts associated with that level of performance. For example, when sales people achieve 110% of their goal, they are paid 162% of the targeted incentive income. The targeted earnings correspond generally to the same level of performance (as a percent of quota or goal target) below the goal, and when one reaches exceptional performance (200% of goal) they receive 357% of their targeted incentive earnings.



II. The Structure of Sales Comp Plans – Acct Mgr

Performance Distribution

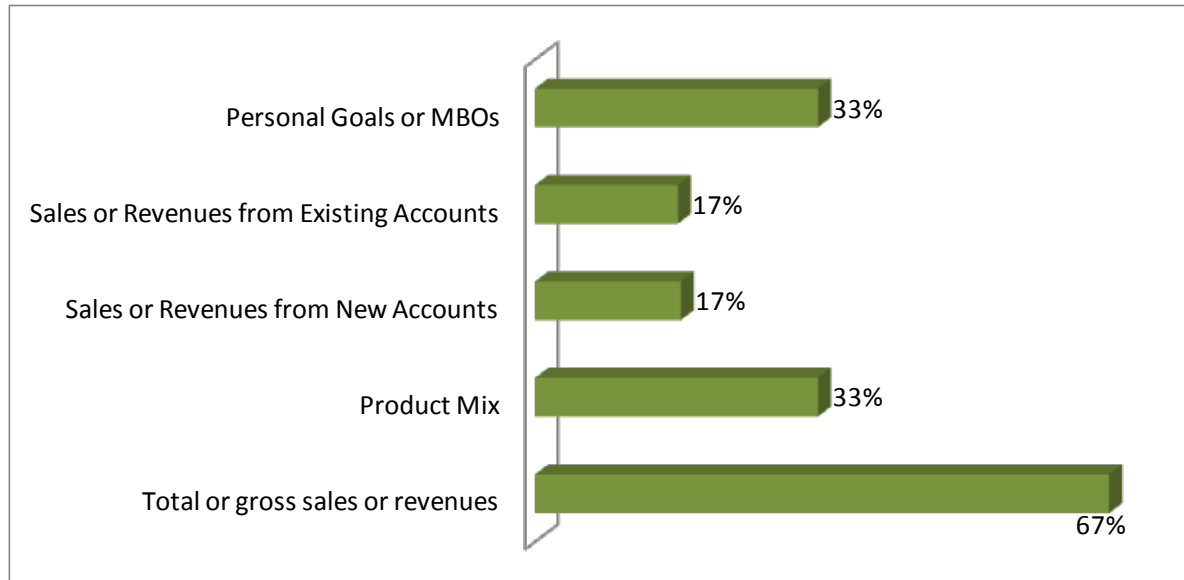
The chart below shows the distribution (25th, 50th and 75th Percentile) of actual performance to sales quota or goal. When considering all the data, most companies (53%) indicated that their Account Managers achieve target performance (100% or greater). Twenty one percent of the companies indicated that Account Managers scored well above their quota/goal (120% or higher).



II. The Structure of Sales Comp Plans – Acct Mgr

Performance Measures

The primary focus of these positions is clearly on generating sales or revenues at or above the quota, and addressing personal goals. There is little emphasis among the survey companies that the Account Manager will differentiate the sales effort between current and new customers.



II. The Structure of Sales Comp Plans – Acct Mgr

How and when commissions are determined

The commission rates for Account Managers vary between being based on the product or service (i.e., it is the same rate for all individuals) versus rates that are based on the individual's performance goals and on-target earnings. Forty percent of the respondents indicated they use a fixed rate for commissions where 40% use a rate that is established for the individual.

There are few who use multiple accelerator rates like we saw with the Direct Sales Executive position. Those that responded to this question were evenly split between those that use only one accelerator and those that do not use accelerators at all. Further, most companies start their commission based on the first dollar sale as opposed to setting a threshold before incentive payouts can commence.

The majority of companies in the survey do not have caps on commissions for their Account Managers.

When more than one sales person is involved, most companies decided how to split the commission on a case by case basis. Most companies do provide for commission sharing with others.

How commissions are determined

Different commission new vs current customer	0%
Different commissions by product	20%
Fix percent for all sales	40%
Individual rates by sales rep	40%

When commission start paying

Pays from first dollar	67%
Pays after meeting threshold	33%

Splitting sales credit

Do not split commissions	20%
Can split up to 100%	40%
Can split up to 150%	0%
Decide on case by case basis	40%

II. The Structure of Sales Comp Plans – Acct Mgr

The use of bonus plans

As indicated earlier, 66% of the companies use bonuses either exclusively or in combination with a commission plan. For those that use bonuses, most make quarterly payouts. The bonuses are used to reward performance that achieves 100% of one's quota (such as a quarterly quota achievement bonus) or they are used for rewarding personal performance that is not based solely on the sales revenues generated.

Bonus Plan Payout Frequency

Monthly	0%
Quarterly	60%
Semi-Annual	0%
Annual	40%

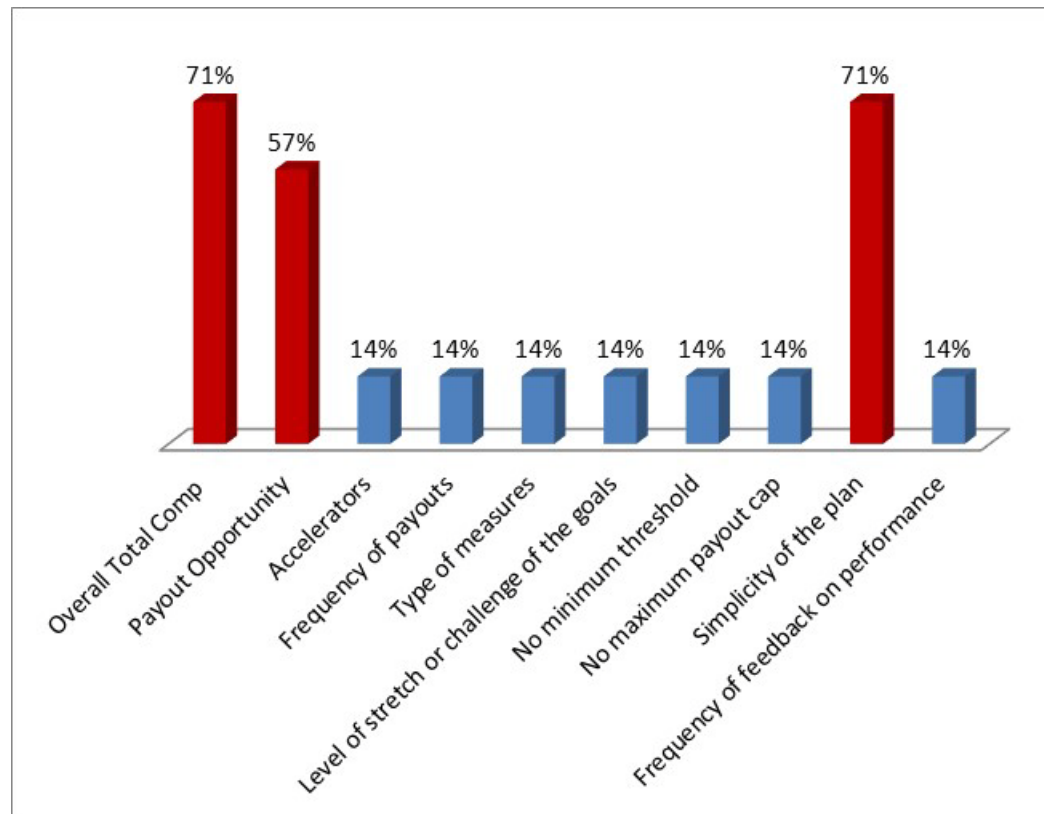
Performance measures for bonuses

For contract value that exceeds \$X	17%
For Personal Goals	33%
For overall corporate performance	0%
After achieving 100% of quota	50%

II. The Structure of Sales Comp Plans – Acct Mgr

Most important and effective elements of the sales compensation plan

“Best Practices” are hard to define particularly in a highly volatile marketplace. So we asked the participants to tell us what they believe are the most important elements of their sales compensation plans - what makes it an effective program. While there was little consensus on the elements, the most important factors seem to be (1) overall level of total compensation, or (2) the simplicity of the plan. The payout opportunity is also a very important element of the plan and provides a competitive advantage. Beyond these points, the participants had a wide range perspective about what is important to their organizations. The responses are shown below:



II. The Structure of Sales Comp Plans — Inside Sales

The following is the position profile on which the respondents based their sales plan information:

Inside Sales Representative:

Responsible for selling the company's products and services via telephone, email and web-based communication to customers in assigned territory, industry or accounts. This position must close the sale on the products or services. The incumbent may generate prospective customers through cold calling or referrals from marketing and advertising, or from handling customers of assigned Field Sales Representatives. Requires a strong knowledge of the products and services, and the sales tracking and order processing systems. This position may operate as part of a sales team and support direct field sales staff or operate independently. May also be responsible for renewal of contracts and agreements. It may carry a sales quota or goals related to business for new and/or existing customers. The incumbent typically has between 2 -4 years of sales experience.

II. The Structure of Sales Comp Plans — Inside Sales

Median Total Compensation

We asked companies to provide us with the salary and on-target total cash compensation for this position. The data below shows the distribution of the medians. It shows that compensation mix is approximately 74% for base salaries and 26% for incentive pay.

Total Cash Compensation by Percentile	Salary	On-Target Total Comp	Salary as % of On-Target Total Comp
Average	\$ 47,077	\$ 63,627	74%
25th Percentile	\$ 34,500	\$ 47,750	72%
50th Percentile	\$ 42,000	\$ 56,375	75%
75th Percentile	\$ 60,307	\$ 73,817	82%
90th Percentile	\$ 75,500	\$ 110,000	69%

Type of Sales Compensation Plans Utilized

The following table shows the type of plans most common for this position. The commission plan is the most common.

Type of Sales Plan Utilized	Commission Only	Bonus Plan	Combination	Salary only
	50%	25%	25%	0%

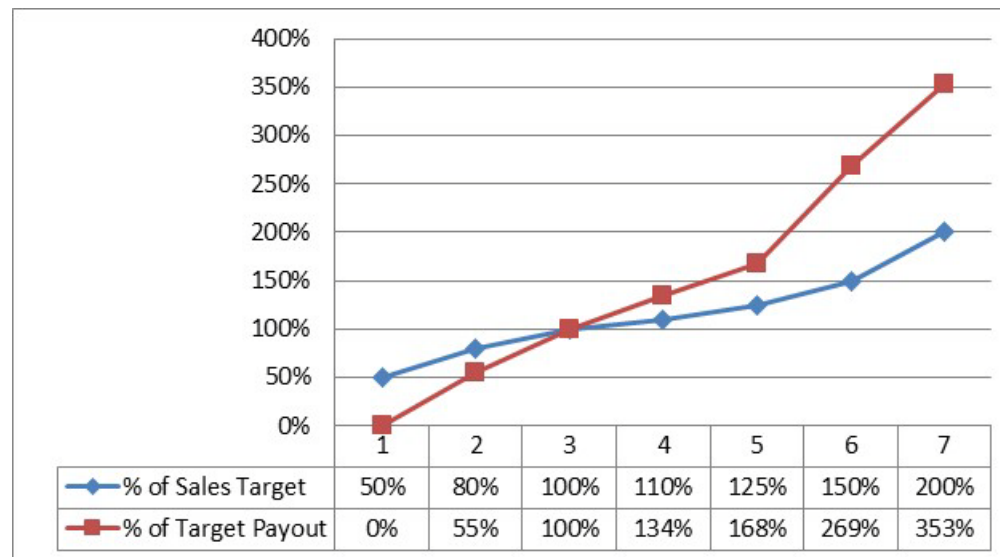
II. The Structure of Sales Comp Plans — Inside Sales

On-Target Earnings -- Performance Factors

Most of the positions base the compensation plan on the individual performance of the Inside Sales Representative (56%). Approximately one third base the payout on the region or overall team sales performance. This means that these positions are more likely aligned with a field sales or account manager in producing revenues.

On-Target Earnings -- Performance and Pay Relationship

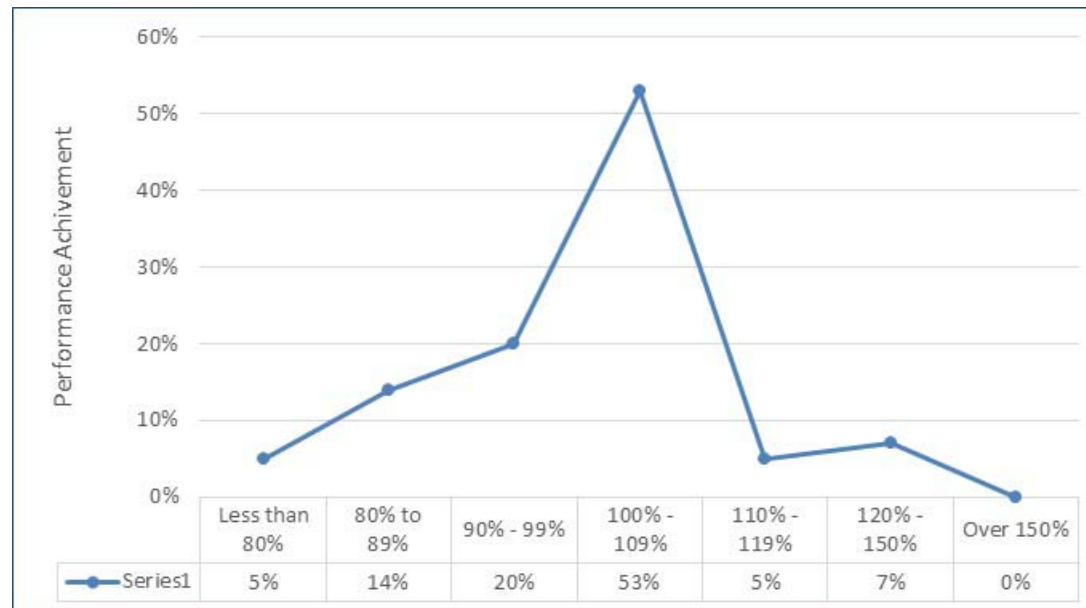
Unlike direct sales, Inside Sales people tend not to receive commission income until 80% of the target is achieved. Above target, the payouts increase dramatically.



II. The Structure of Sales Comp Plans — Inside Sales

Performance Distribution

The chart below shows the distribution (median or 50th Percentile) of actual performance to sales quota or goal. When considering the data, most companies indicated that 65% their Inside Sales Reps achieved sale quota/goals. There was insufficient data to calculate the percentile rankings.



II. The Structure of Sales Comp Plans — Inside Sales

Frequency of Payouts

Most sales commission plans for this position are paid on a monthly basis, with some paying on a quarterly basis. There is no common practice for when Inside Sales Reps are compensated. Most pay these sales positions either when the order is booked or invoiced.

Frequency of payouts

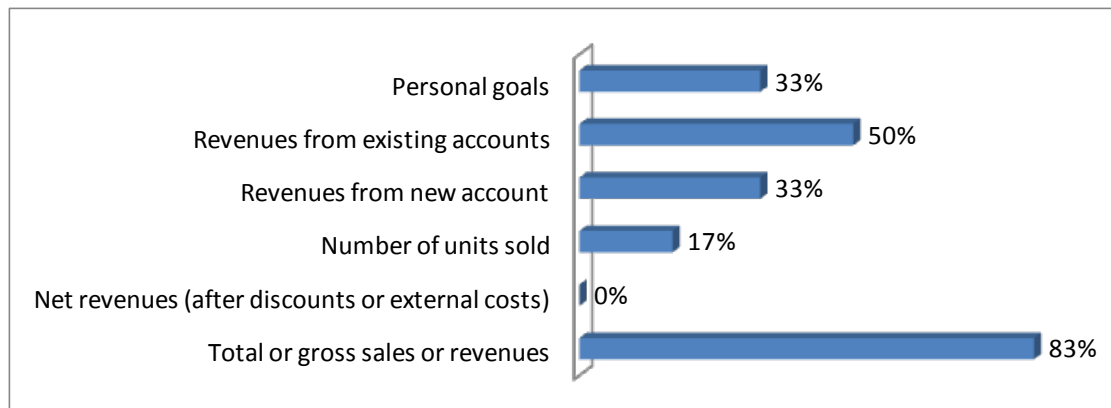
Monthly	57%
Quarterly	43%
Semi-Annual	0%
Annual	0%

Payouts are Made at the Stage of the Sales Cycle

When booked	29%
When shipped/delivered	14%
When invoiced	29%
When collected	14%
Combination	14%

Performance Measures

The primary focus of these positions is clearly on generating sales or revenues. Similar to Account Managers, this position is focused on overall revenues and revenues from assigned accounts.



II. The Structure of Sales Comp Plans — Inside Sales

How and when commissions are determined

The sales compensation plans for Inside Sales Representatives are fairly consistent with other sales compensation plans. Approximately 1/3rd use a fixed commission structure and 1/3rd use a fixed commission based on the product. These commission rates do not tend to have accelerators associated with them. If they do exist, they are linked to performance against one's quarterly or annual goal. Seventy-one percent of the plans provide commission income after meeting a performance hurdle; 29% pay commissions from the first dollar of sales.

When inside sales people share in the achievement of sales, most companies will decide the commission split on a case by case basis.

How commissions are determined

Different commission new vs current customer	17%
Different commissions by product	33%
Fix percent for all sales	33%
Individual rates by sales rep	17%

When commission starts paying

Pays from first dollar	29%
Pays after meeting threshold	71%

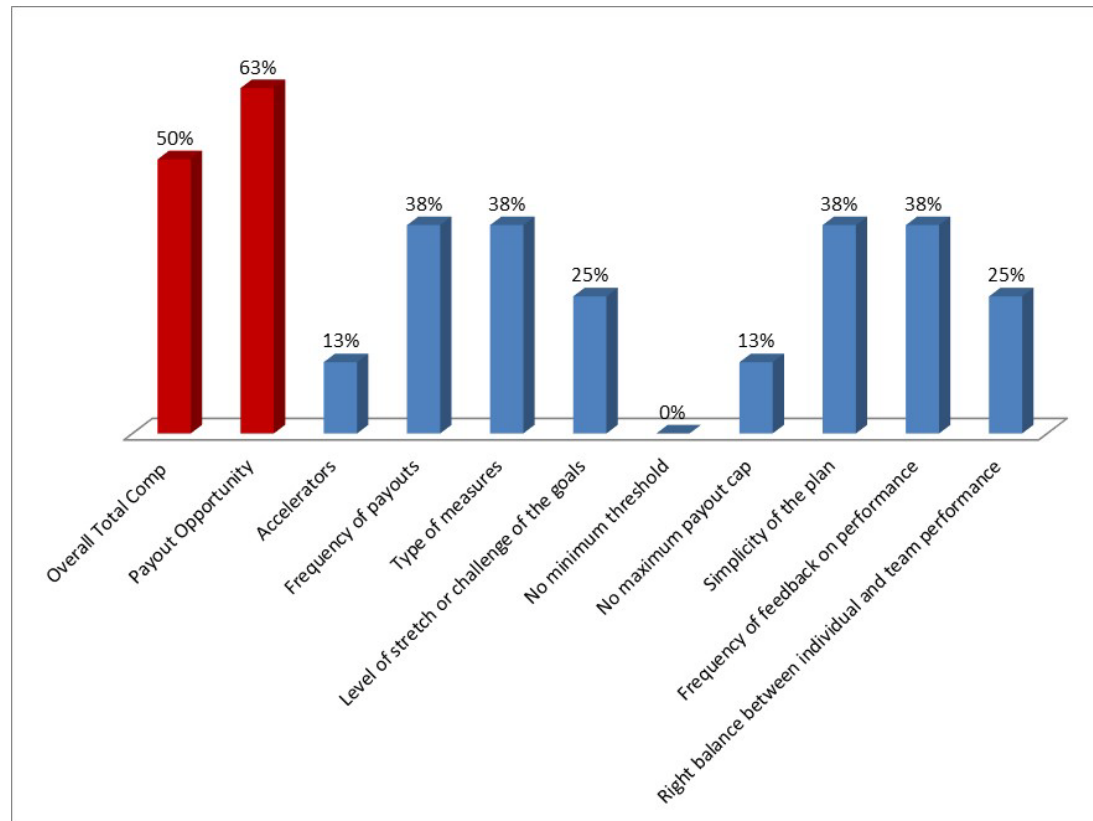
Splitting sales credit

Do not split commissions	0%
Can split up to 100%	20%
Can split up to 150%	0%
Decide on case by case basis	80%

II. The Structure of Sales Comp Plans — Inside Sales

Most important and effective elements of the sales compensation plan

“Best Practices” are hard to define particularly in a highly volatile marketplace. We asked the participants to tell us what they believe are the most important elements of their sales compensation plans - what makes it an effective program. While there was little consensus on the elements, the most important factors appear to be the overall total compensation and the payout opportunity from the sales incentive plan.



II. The Structure of Sales Comp Plans — Sales Manager

The following is the position profile on which the respondents based their sales plan information:

First Level Sales Manager:

Responsible for the sales generated to customers in a defined geographic, product or industry segment. This position supervises Direct Sales Representatives and/or Account Managers, but does not manage other sales managers. This is the first level of direct supervision over the field sales force of the company. This work includes coaching and developing staff, handling critical customers, and overseeing the company's sales process. The incumbent may also have responsibility for generating own sales independent of staff being supervised, and thereby may carry own sales quota. The incumbent typically has 6 – 9 years of sales experience. In an organization with a broad range of levels, please utilize the positions considered as “mid-level” within the sales organization.

II. The Structure of Sales Comp Plans — Sales Manager

Median Total Compensation

We asked companies to provide us with the salary and on-target total cash compensation for this position. The data below shows the distribution of the medians. It shows that compensation mix is approximately 80% for base salaries and 20% for incentive pay.

Total Cash Compensation by Percentile	Salary	On-Target Total Comp	Salary as % of On-Target Total Comp
Average	\$ 142,018	\$ 177,076	80%
25th Percentile	\$ 125,000	\$ 145,529	86%
50th Percentile	\$ 140,000	\$ 190,000	74%
75th Percentile	\$ 172,000	\$ 224,000	77%
90th Percentile	\$ 178,000	\$ 273,000	65%

Type of Sales Compensation Plans Utilized

The following table shows the type of plans most common for this position. It shows that there are primarily two types of plans utilized for this position – commission only and bonus plans.

Type of Sales Plan Utilized	Commission Only	Bonus Plan	Combination	Salary only
	57%	43%	0%	0%

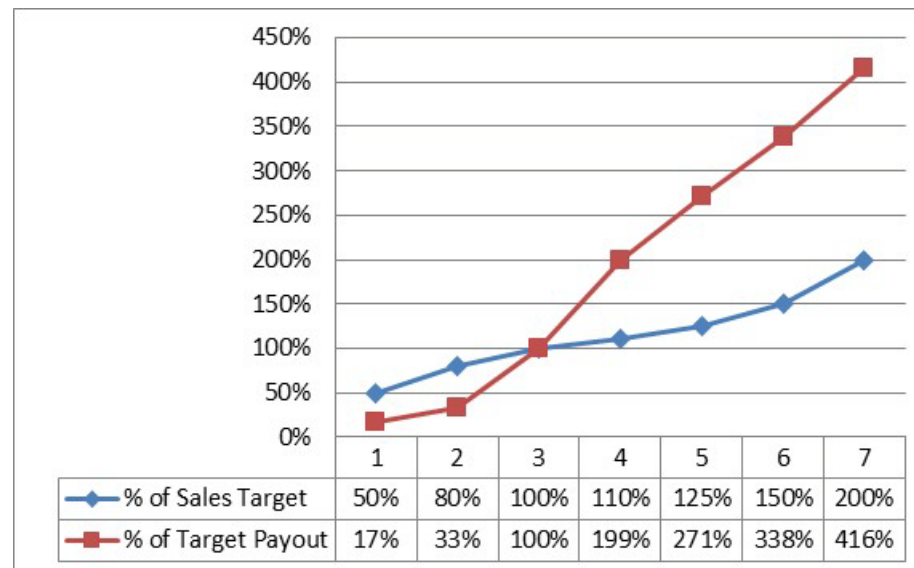
II. The Structure of Sales Comp Plans — Sales Manager

On-Target Earnings -- Performance Factors

First Level Sales Managers tend to have a mixture of performance factors impacting their compensation. Forty-three percent (43%) of the survey companies weight individual performance 100%; the other companies are evenly divided between using team/group performance and regional or overall corporate performance to base the compensation plan.

On-Target Earnings -- Performance and Pay Relationship

The targeted earnings below the sales quota or goal were below their corresponding performance percentage. The payout levels for the first level sales manager escalated significantly higher based on above quota performance. The respondents also indicated that at “Exceptional” performance, the payout is over 400% of the payout at target level of performance.



II. The Structure of Sales Comp Plans — Sales Manager

Frequency and Timing for Payouts

Most sales commission plans for this position are paid on a quarterly basis, with some paying on a monthly or annual basis. The commissions are usually earned when the product has been invoiced.

Frequency of payouts

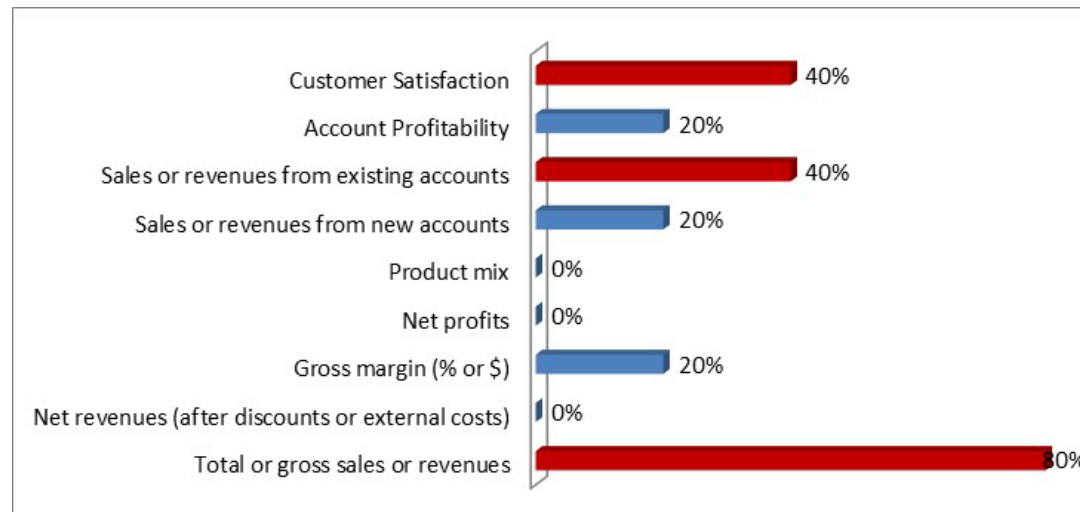
Monthly	20%
Quarterly	60%
Semi-Annual	0%
Annual	20%

Payouts are Made at the Stage of the Sales Cycle

When booked	0%
When shipped/delivered	20%
When invoiced	60%
When collected	0%
Combination	20%

Performance Measures

The primary focus of these positions is clearly on generating sales or revenues. Similar to Direct Sales, this position is focused on overall revenues and sales to new customers. Customer Satisfaction is another important element in the Sales Managers compensation plan.



II. The Structure of Sales Comp Plans — Sales Manager

How and when commissions are determined

Sales managers tend to be compensated similar to their sales staff, with a few important exceptions. Those that carry quotas or are focused on direct sales tend to have a high commission basis for their compensation plans. Commissions are as likely to be fixed as they are designed to be individually quota and on-target income based. These commission plans are similar to direct sales and have multiple, two or three, acceleration points. The triggers for these accelerators are the level of performance to goal on a quarterly or annual basis. Further, the commission payments begin from first dollar of sales. If there is a threshold, then it tends to be around 80% of goal (the range is from 50% to 90% like other sales positions).

Most companies do not use income caps for their sales managers or other sales staff. Further, they decide on commission splits on a case by case basis.

A few companies indicated that they provide bonus opportunity to their first line sales managers. These bonuses are paid on a monthly or quarterly basis and are usually based on personal goal achievement or the performance of the overall region or area.

How commissions are determined

Different commission new vs current customer	0%
Different commissions by product	25%
Fix percent for all sales	25%
Individual rates by sales rep	50%

When commission starts paying

Pays from first dollar	40%
Pays after meeting threshold	60%

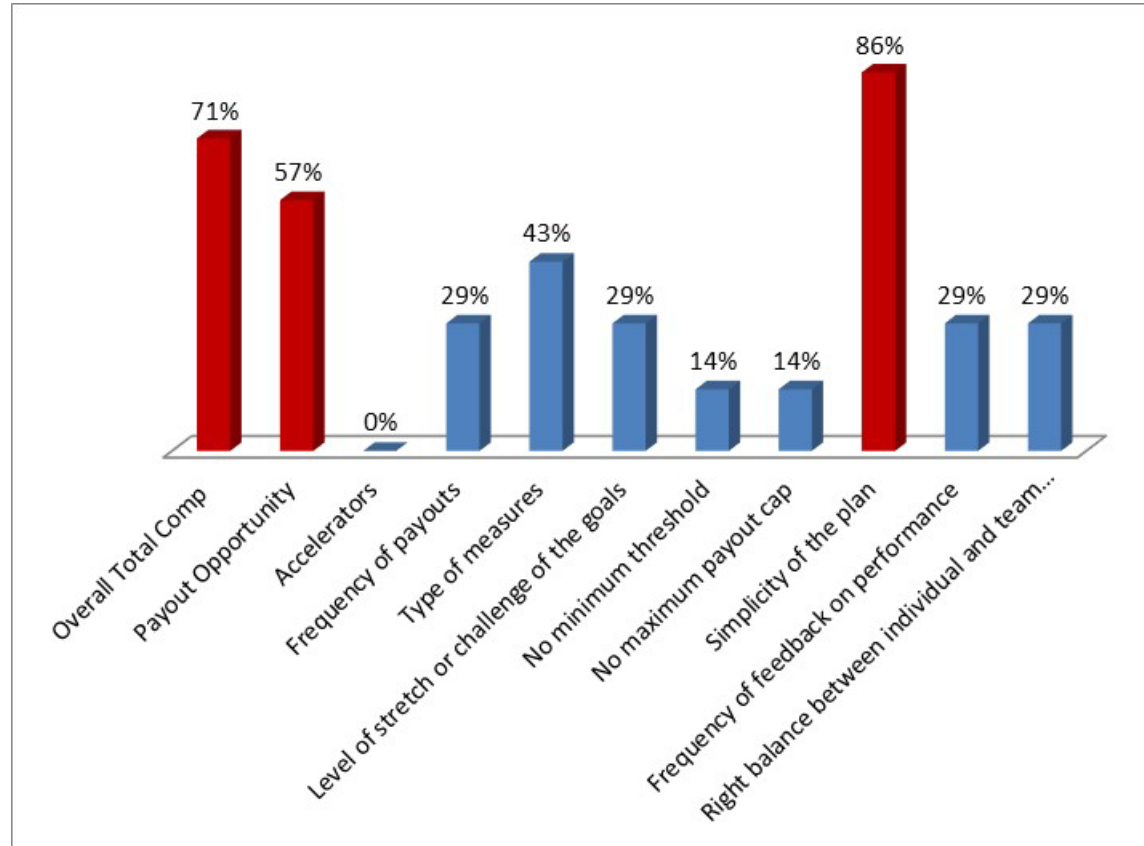
Splitting sales credit

Do not split commissions	0%
Can split up to 100%	40%
Can split up to 150%	0%
Decide on case by case basis	60%

II. The Structure of Sales Comp Plans — Sales Manager

Most important and effective elements of the sales compensation plan

“Best Practices” are hard to define particularly in a highly volatile marketplace. We asked the participants to tell us what they believe are the most important elements of their sales compensation plans - what makes it an effective program. While there was little consensus on the elements, the most important factors seem to be the overall total compensation levels and the simplicity of the sales compensation plan.



PART III

Comparison of Sales Plan Practices by Market Segment

III. Comparison by Market Segment

Comparison of most common elements:

The following tables display a comparison of the companies by industry and by company size (based on revenues). The tables on the following pages show the responses to the key questions. The tables illustrate the percent of respondents that provided data for each of the questions. For the blank spaces, there were insufficient responses to show response patterns and practices. This information should enable you to compare your industry's responses with the current sales compensation plan design within your company.

The key questions include:

1. Total Cash Compensation -- Base salary and on-target total compensation
2. The mix of base salary and variable compensation, where base salary is shown as a percent of total cash compensation
3. The total earnings as a percent of target earnings at 7 performance levels (50% - 200% of target)
4. How the commission rates are determined
5. When two people are involved in a sale, how companies tend to share sales credit
6. The 3 - 5 most important elements of the sales compensation plans

III. Comparison by Market Segment – By Industry

Industry:	Technology	Consumer Prdcts / Retail	Manufacturing	Insurance	Professional Services / Communications
Description:					
Number of Cos	6	6	5	5	5
Median Revenue	\$454.5M	\$200.0M	\$72.0M	\$562.9M	\$10.5M
Median No. of Employees	1,576	574	123	1,350	33
2014 Growth Projections:					
<i>12% or greater</i>	33%	0%	0%	20%	60%
<i>8% - 11%</i>	17%	50%	40%	0%	20%
<i>4% - 7%</i>	17%	17%	20%	40%	20%
<i>0% - 3%</i>	33%	33%	20%	40%	0%
<i>Decline</i>	0%	0%	20%	0%	0%
Staffing for Sales Org:					
<i>Increasing number</i>	33%	40%	50%	40%	40%
<i>No change</i>	67%	40%	50%	60%	60%
<i>Decreasing number</i>	0%	20%	0%	0%	0%
Merit Increases to Sales:					
<i>Yes, annually</i>	67%	67%	67%	25%	67%
<i>Yes, annually but less</i>	0%	33%	0%	25%	0%
<i>No, periodically only</i>	17%	0%	0%	50%	33%
<i>No, only as needed</i>	17%	0%	33%	0%	0%
<i>Does not apply</i>	0%	0%	0%	0%	0%
Median Merit Pay Increase	3.3%	3.3%	3.5%	1.3%	5.0%

III. Comparison by Market Segment – By Industry

Industry:	Technology	Consumer Prdcts / Retail	Manufacturing	Insurance	Professional Services / Communications
Direct Sales Representative					
Average Compensation:					
Average Salary	\$ 102,000	\$ 80,733	\$ 67,626	\$ 70,000	\$ 85,000
Average Total Cash Comp	\$ 161,280	\$ 137,000	\$ 90,949	\$ 133,333	\$ 178,750
Mix of pay to On-target earnings:					
% for base salary	60%	55%	80%	60%	35%
% for incentive pay	40%	45%	20%	35%	63%
% for other income	0%	0%	0%	5%	2%
Payout for Exceptional as multiple of target					
	2.380		2.730		
Frequency of Commission Payouts:					
Monthly	50%		100%	75%	67%
Quarterly	50%			25%	
Semi-Annual					33%
Annual					
At what stage are commissions paid:					
When booked	50%			75%	
When shipped/delivered	25%				
When invoiced	25%		100%		50%
When collected					50%
Combination				25%	

III. Comparison by Market Segment – By Industry

Industry:	Technology	Consumer Prdcts / Retail	Manufacturing	Insurance	Professional Services / Communications
Direct Sales Representative					
Performance measures:					
Total or gross sales or revenues	80%		67%	67%	0%
Net revenues					20%
Gross margin	20%		25%		
Net profits					
Product mix					
Overall contract value	20%				
Revenues from new accounts	40%		25%	33%	80%
Revenues from existing accounts			25%	33%	80%
Personal Goals (MBO's)			25%	33%	20%
How commission payouts are determined:					
Fixed percent, same for all sales			75%		20%
Individual commission rate	50%				20%
Different commission rate by product	33%				20%
Different commission rate by customer type	17%		25%		40%
Use of accelerators in comm rates:					
Yes, one accelerator point	25%				
Yes, two accelerator points				25%	
Yes, three or more accelerator points	50%				25%
No, accelerators are not used	25%		100%	75%	75%
Use of income caps or decelerators:					
Yes, we use an income cap	25%				25%
Yes, we decelerate rate above X level					
We decide based on circumstances	50%			25%	
No, we do not have caps or limits	25%			75%	75%

III. Comparison by Market Segment – By Industry

Industry:	Technology	Consumer Prdcts / Retail	Manufacturing	Insurance	Professional Services / Communications
Direct Sales Representative					
Splitting sales credits:					
<i>We do not split sales commissions</i>		50%	67%	50%	50%
<i>People can split up to 100%</i>	75%				25%
<i>People can split up to 150%</i>					
<i>We decide on case-by-case basis</i>	25%	50%	33%	50%	25%
Frequency of Bonus Plan Payouts					
<i>Monthly</i>				25%	
<i>Quarterly</i>	100%			50%	
<i>Semi-annual</i>		50%			
<i>Annual</i>		50%	100%	25%	
Most effective elements of your sales plan:					
<i>Overall total compensation levels</i>	80%	67%	40%	60%	20%
<i>Payout opportunity (i.e., mix)</i>	80%		20%	40%	40%
<i>Accelerators</i>	20%				
<i>Frequency of payouts</i>	20%	33%	20%	40%	
<i>Type of measures</i>	20%	33%	20%	20%	
<i>Level of stretch or challenge of goals</i>	20%			20%	
<i>No minimum threshold</i>	40%			20%	20%
<i>No maximum payout cap</i>	40%		20%	20%	20%
<i>Simplicity of the plan</i>	100%	67%	20%	20%	20%
<i>Frequency of performance feedback</i>	40%			20%	
<i>Right balance between individual and team</i>		67%		20%	

III. Comparison by Market Segment – By Industry

Industry	Technology	Technology	Technology
	Account Manager	Inside Sales Rep	District Sales Manager
Average Compensation:			
Average Salary	\$ 91,250	\$ 56,000	\$ 151,000
Average Total Cash Comp	\$ 176,000	\$ 65,075	\$ 217,667
Mix of pay to On-target earnings:			
% for base salary	60%	77%	70%
% for incentive pay	40%	24%	30%
% for other income	0%	2%	0%
Percent of Target Payout to Performance:			
50% of quota/goal	50%	14%	25%
80% of quota/goal	75%	74%	50%
100% of quota/goal	100%	100%	100%
110% of quota/goal	162%	134%	179%
125% of quota/goal	184%	168%	217%
150% of quota/goal	267%	268%	282%
200% of quota/goal	357%	353%	399%
Payout for Exceptional as multiple of target	3.33	2.17	2.67
Frequency of Commission Payouts:			
Monthly	50%	67%	50%
Quarterly	50%	33%	50%
Semi-Annual			
Annual			
Most effective elements of your sales plan:			
Overall total compensation levels	40%	40%	67%
Payout opportunity (i.e., mix)	40%	60%	33%
Accelerators	20%	20%	
Frequency of payouts	20%	20%	33%
Type of measures	20%	20%	33%
Level of stretch or challenge of goals	20%	20%	33%
No minimum threshold			33%
No maximum payout cap		20%	33%
Simplicity of the plan	40%	20%	100%
Frequency of performance feedback	20%	40%	33%
Right balance between individual and team			

III. Comparison by Market Segment – By Size

Industry:	Small Companies Revenues Less than \$100M	Mid-Market Companies Revenues between \$100M - \$500M	Large Companies Revenues over \$500M
Description:			
Number of Cos	10	7	9
Average Revenue	\$16.0M	\$200M	\$1,150M
Number of Ees	74	300	4,300
2014 Growth Projections:			
<i>12% or greater</i>	40%	0%	0%
<i>8% - 11%</i>	20%	29%	33%
<i>4% - 7%</i>	20%	29%	11%
<i>0% - 3%</i>	20%	29%	56%
<i>Decline</i>	20%	14%	0%
Staffing for Sales Org:			
<i>Increasing number</i>	44%	38%	11%
<i>No change</i>	56%	46%	78%
<i>Decreasing number</i>	0%	15%	0%
Merit Increases to Sales:			
<i>Yes, annually</i>	22%	43%	89%
<i>Yes, annually but less</i>	0%	29%	0%
<i>No, periodically only</i>	33%	14%	0%
<i>No, only as needed</i>	22%	14%	11%
<i>Does not apply</i>	22%	0%	0%
Merit increase %:			
<i>25th Percentile</i>	3.5%	2.3%	2.5%
<i>Median</i>	4.5%	2.5%	3.0%
<i>75th Percentile</i>	6.3%	3.3%	3.0%

III. Comparison by Market Segment – By Size

By Company Size	Small <u>Companies</u> Revenues Less than \$100M	Mid-Market <u>Companies</u> Rev between \$100M - \$500M	Large <u>Companies</u> Revenues over \$500M
Direct Sales Representative			
Average Compensation:			
Median Salary	\$ 80,000	\$ 90,000	\$ 90,000
Median Total Cash Comp	\$ 150,000	\$ 141,500	\$ 130,000

Mix of pay to On-target earnings:			
% for base salary	48%	58%	67%
% for incentive pay	60%	42%	33%
% for other income	0%	1%	0%

Percent of Target Payout to Performance:			
50% of quota/goal		56%	50%
80% of quota/goal		76%	58%
100% of quota/goal		100%	100%
110% of quota/goal		144%	161%
125% of quota/goal		153%	222%
150% of quota/goal		182%	359%
200% of quota/goal		263%	392%

Payout for Exceptional as multiple of target	2.20	2.60	2.03
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Frequency of Commission Payouts:			
Monthly	100%	100%	29%
Quarterly	0%	33%	57%
Semi-Annual	0%	8%	14%
Annual	0%	0%	0%

At what stage are commissions paid:			
When booked	20%	50%	29%
When shipped/delivered	0%	0%	14%
When invoiced	40%	50%	43%
When collected	40%	0%	0%
Combination		0%	14%

III. Comparison by Market Segment – By Size

By Company Size	Small Companies Revenues Less than \$100M	Mid-Market Companies Rev between \$100M - \$500M	Large Companies Revenues over \$500M
Direct Sales Representative			
Performance measures:			
Total or gross sales or revenues	20%	100%	100%
Net revenues	20%	0%	0%
Gross margin	20%	0%	20%
Net profits	0%	0%	0%
Product mix	0%	0%	0%
Overall contract value	0%	0%	20%
Number of new accounts	0%	0%	0%
Sales from new customers	60%	67%	60%
Sales from existing customers	60%	33%	40%
How commission payouts are determined:			
Fixed percent, same for all sales	33%	20%	29%
Individual commission rate	17%	20%	29%
Different commission rate by product	17%	40%	29%
Different commission rate by customer type	33%	20%	14%
Splitting sales credits:			
We do not split sales commissions	67%	25%	29%
People can split up to 100%	17%	50%	14%
People can split up to 150%	0%	0%	0%
We decide on case-by-case basis	17%	25%	57%
Frequency of Bonus Plan Payouts			
Monthly	25%	0%	0%
Quarterly	0%	67%	33%
Semi-annual	0%	17%	0%
Annual	75%	17%	67%
Most effective elements of your sales plan:			
Overall total compensation levels	33%	80%	86%
Payout opportunity (i.e., mix)	33%	60%	57%
Accelerators	0%	20%	0%
Frequency of payouts	17%	60%	14%
Type of measures	0%	40%	29%
Level of stretch or challenge of goals	0%	0%	29%
No minimum threshold	17%	60%	0%
No maximum payout cap	33%	60%	0%
Simplicity of the plan	33%	80%	57%
Frequency of performance feedback	0%	20%	29%
Right balance between individual and team	17%	0%	29%

III. Comparison by Market Segment – By Size

By Company Size	Mid-Market Companies Rev between \$100M - \$500M	Large Companies Revenues over \$500M	Large Companies Revenues over \$500M	Large Companies Revenues over \$500M
Sales Position	Account Manager	Account Manager	Inside Sales Rep	District Sales Manager
Average Compensation:				
Median Salary	\$ 97,500	\$ 121,000	\$ 50,000	\$ 132,500
Median Total Cash Comp	\$ 138,000	\$ 169,000	\$ 57,750	\$ 185,000
Mix of pay to On-target earnings:				
% for base salary	60%	70%	83%	71%
% for incentive pay	40%	30%	17%	30%
Frequency of Commission Payouts:				
Monthly	100%	0%	33%	0%
Quarterly	0%	100%	0%	75%
Annual	0%	0%	0%	25%
How commission payouts are determined:				
Fixed percent, same for all sales	18%	18%	60%	18%
Individual commission rate	27%	27%	40%	27%
Different commission rate by product	9%	9%		9%
Use of accelerators in comm rates:				
Yes, one accelerator point	20%	20%	17%	20%
Yes, two accelerator points	20%	20%	33%	20%
Yes, three or more accelerator points	40%	40%	17%	40%
No, accelerators are not used	20%	20%	50%	20%
Use of income caps or decelerators:				
Yes, we use an income cap	40%	40%	40%	40%
Yes, we decelerate rate above X level				
We decide based on circumstances				
No, we do not have caps or limits	60%	60%	60%	60%

III. Comparison by Market Segment – By Size

By Company Size	Mid-Market Companies Rev between \$100M - \$500M	Large Companies Revenues over \$500M	Large Companies Revenues over \$500M	Large Companies Revenues over \$500M
Sales Position	Account Manager	Account Manager	Inside Sales Rep	District Sales Manager
Splitting sales credits:				
<i>We do not split sales commissions</i>	20%	20%		20%
<i>People can split up to 100%</i>	20%	20%	25%	20%
<i>People can split up to 150%</i>				
<i>We decide on case-by-case basis</i>	60%	60%	75%	60%
Frequency of Bonus Plan Payouts				
<i>Monthly</i>				
<i>Quarterly</i>	20%	20%		20%
<i>Semi-annual</i>	40%	40%		40%
<i>Annual</i>				
<i>Does not apply</i>	40%	40%		40%
Most effective elements of your sales plan:				
<i>Payout opportunity (i.e., mix)</i>	60%	60%	33%	60%
<i>Accelerators</i>	20%	20%	8%	20%
<i>Frequency of payouts</i>			8%	
<i>Type of measures</i>			40%	
<i>Level of stretch or challenge of goals</i>				
<i>No minimum threshold</i>	40%	40%	17%	40%
<i>No maximum payout cap</i>	40%	40%	25%	40%
<i>Simplicity of the plan</i>	20%	20%	25%	20%
<i>Frequency of performance feedback</i>				
<i>Right balance between individual and team</i>				
<i>Overall total compensation levels</i>	60%	60%	33%	60%

PART IV

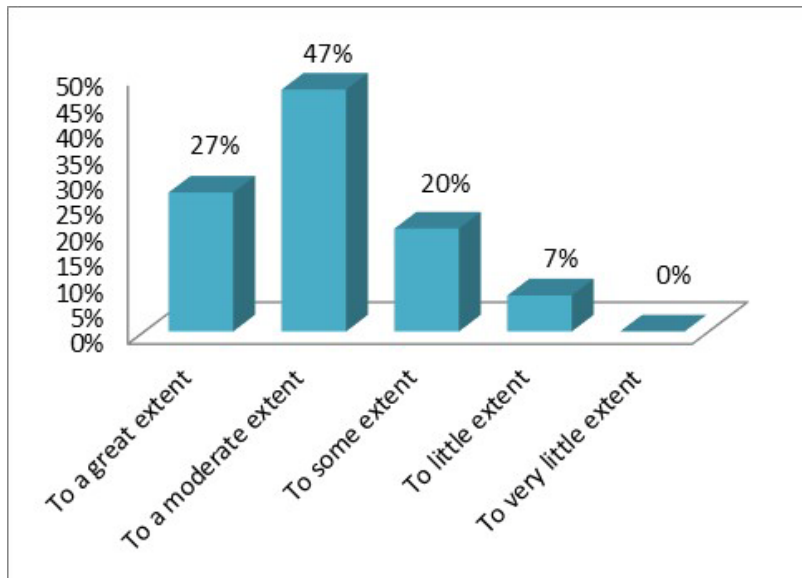
Assessment of the Effectiveness of These Plans

IV. Assessment of the Effectiveness

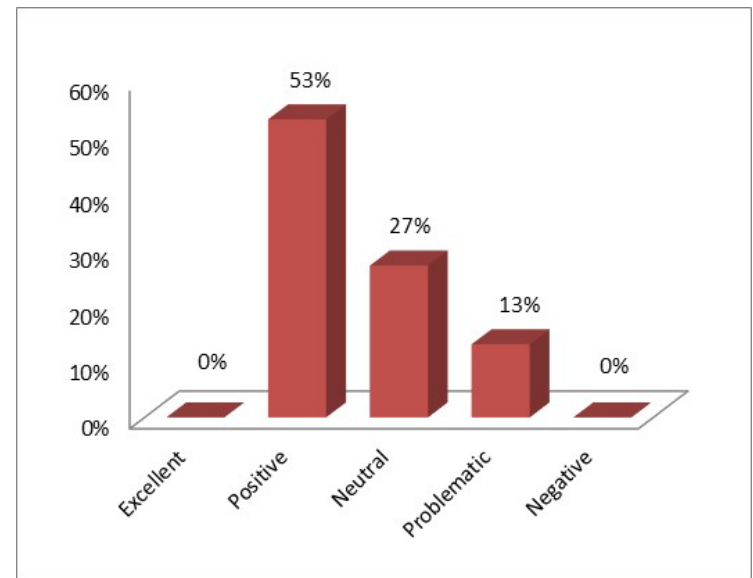
We asked the participants several questions regarding the effectiveness of their current plans from both motivational and administrative perspectives. We further asked about the type and prevalence of special performance recognition and sales award practices. These programs are often important supplements to effective sales compensation plans, but they can be indicators of problems with the design of sales compensation plans. Hence, we included sales performance recognition practices as part of our assessment questions related to the effectiveness of sales compensation plans.

As shown below, we are contrasting the perceptions of the state of the business and the overall effectiveness of the sales compensation plan. Both have a generally positive outline. The business prospects are slightly more positive, but the view of the sales compensation plan is positive overall. One element to note about the effectiveness of current sales compensation plans, it is surprising that no company viewed their plan as “Excellent” given the importance of this function to the success of the company and the amount of dollars are spent on sales compensation. Why isn’t the plan regarded as excellent?

To what extent are you achieving the business results you desire for 2014?



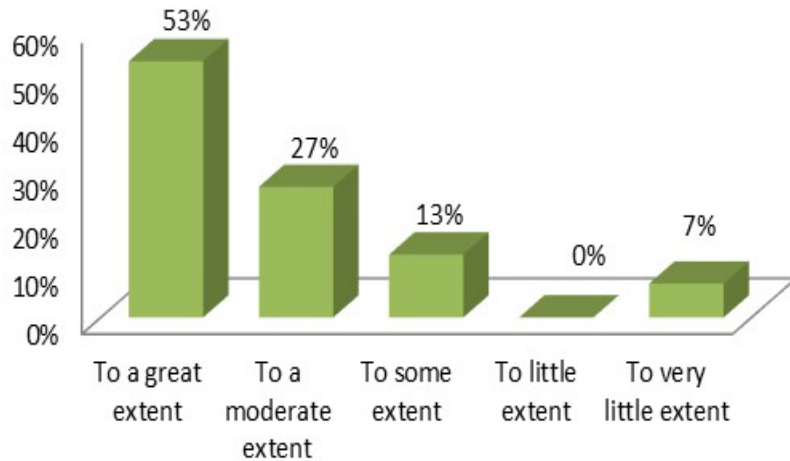
How would you rate the overall effectiveness of your current sales compensation plan?



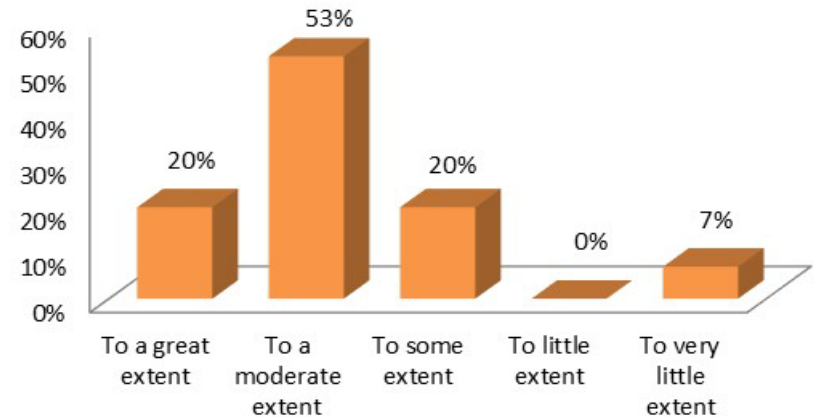
IV. Assessment of the Effectiveness

The charts below show the level of understanding and perceived motivational impact of the sales compensation plans. It is generally regarded that the plans are very well understood; this reflects the viewpoint that the “simplicity of the plan” was the highest rated positive element of the sales compensation plan. However, it would seem appropriate that more than 20% of the sales force should feel the program is very motivating. In the chart below, 27% (20% to some extent + 7% to very little extent) view their sales compensation plans as not having the desired impact on the motivation of their sales force.

To what extent do your sales professionals understand the plan and how it works?



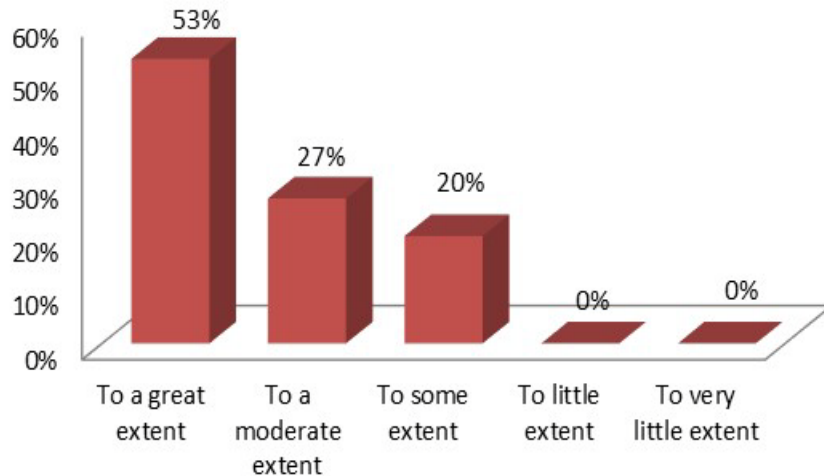
To what extent is your sales compensation plan motivating to your sales people?



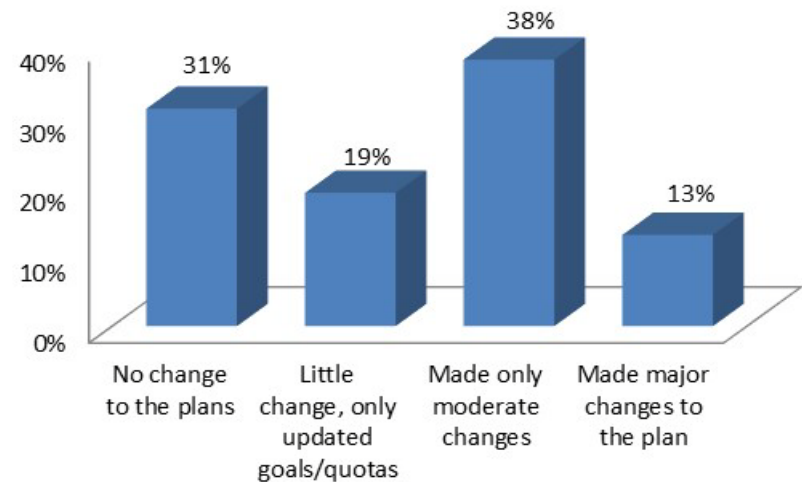
IV. Assessment of the Effectiveness

The charts below show the degree to which the most productive sales people earn the most money and the degree of changes made to the sales plan for 2014. This shows that most companies believe their best people are making the most money; this is a strong indicator of the effectiveness of the plan. Consequently little to no changes were made to the plans coming into 2014 (50%). Given the importance of the sales function, are there areas for improvement that are not being recognized?

To what extent do the most productive sales people earn the most money?



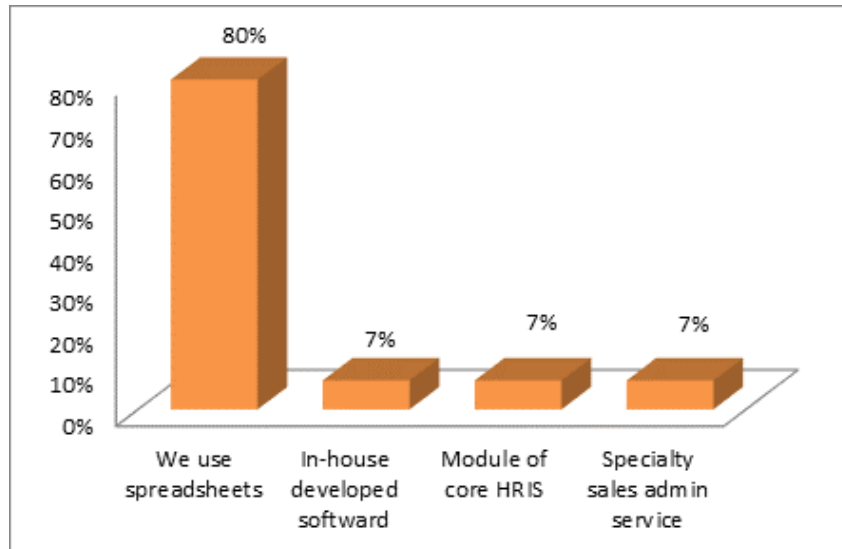
What kind of updates or changes did you make to your 2014 sales compensation plan?



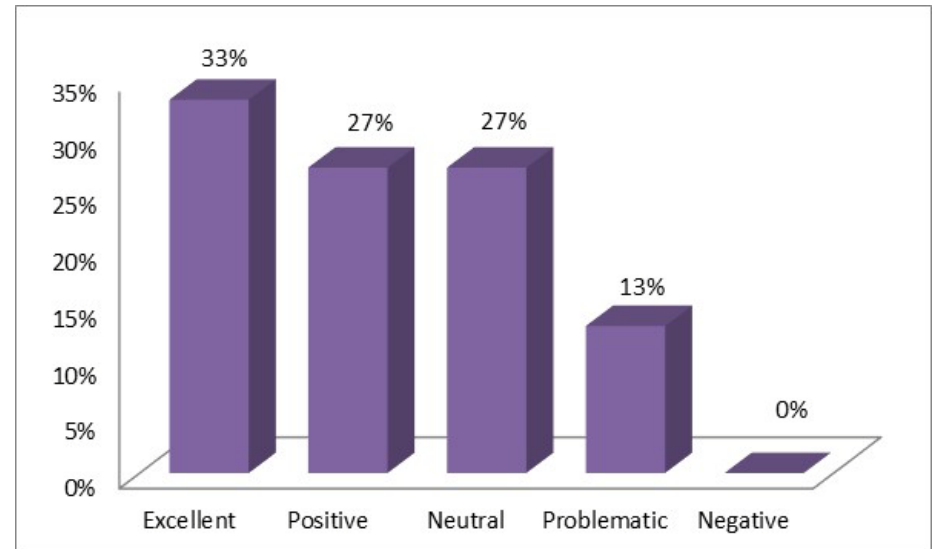
IV. Assessment of the Effectiveness

Administering sales compensation plans is often an incredibly time and labor intensive activity especially when the number of sales people increases and the plans become more complex. The charts below show how the participating companies administer their sales plans. Most use internally managed “spreadsheets.” Although few indicated use of external service providers, many firms have adapted external contact management programs to internal uses. The second chart indicates that these plans appear to be working fairly well. Sixty percent (60%) of the companies indicated that the plans were excellent or positive.

How do you currently administer your sales compensation plans?

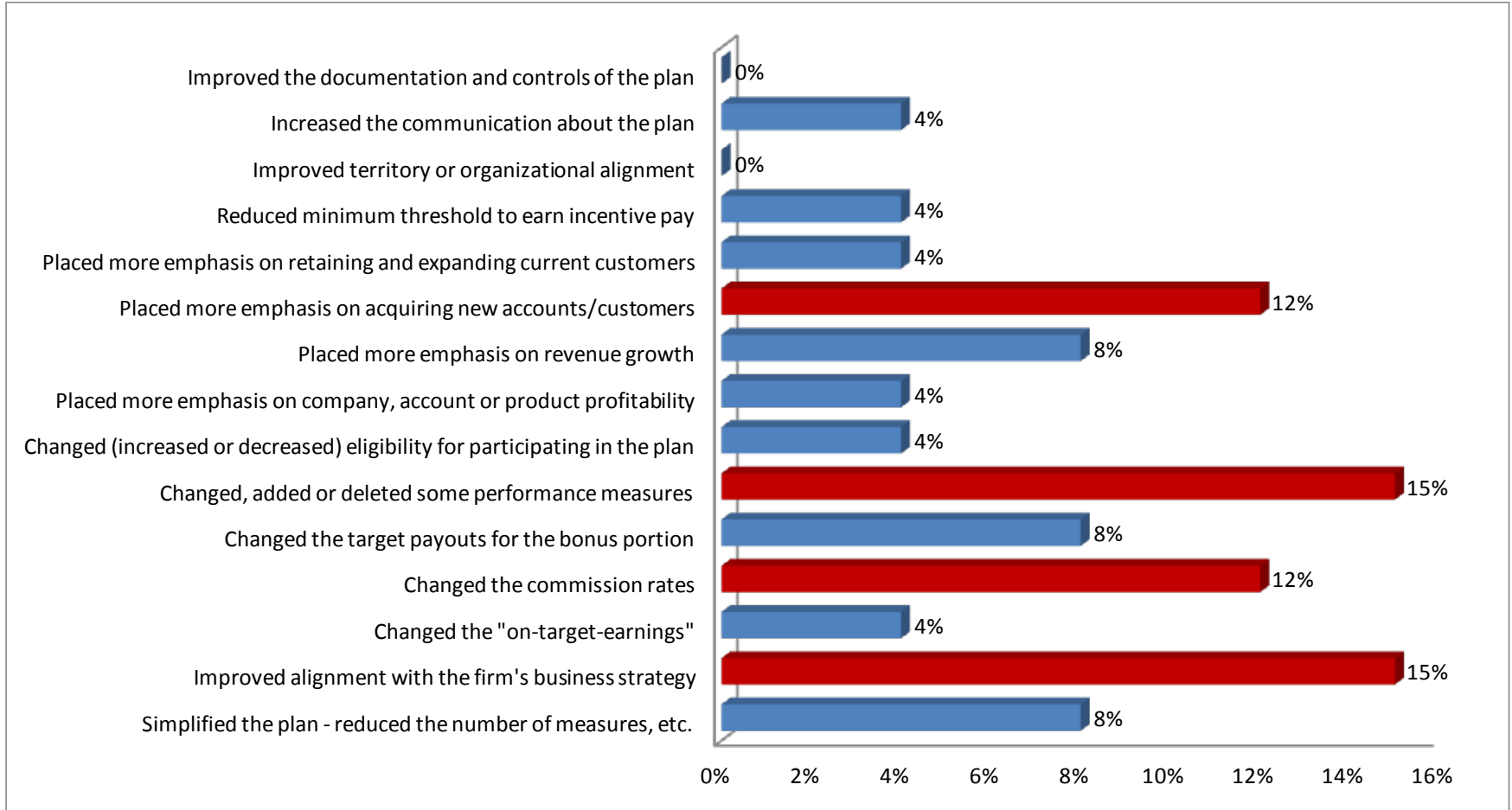


How would you assess the effectiveness of the administration of the sales comp plans?



IV. Assessment of the Effectiveness

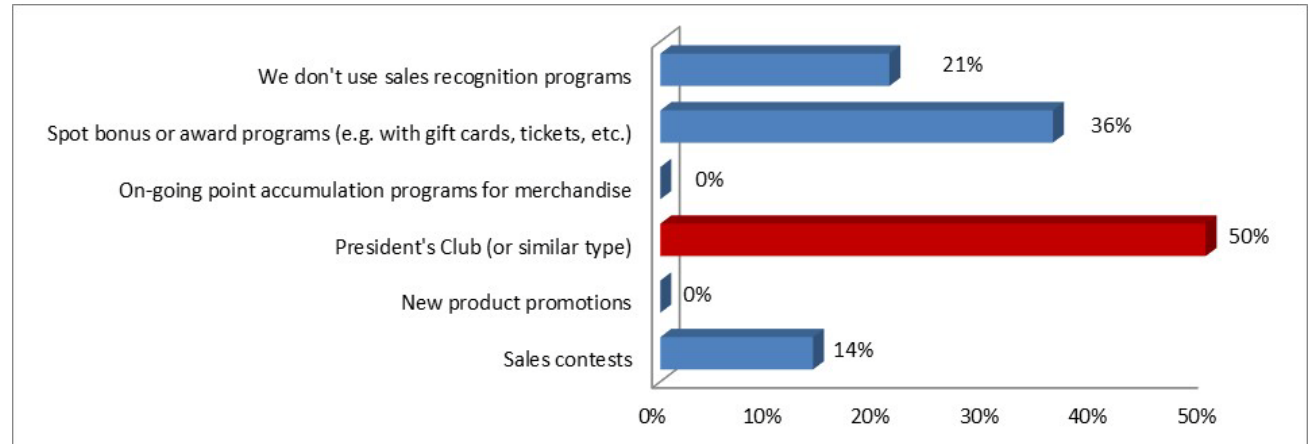
Most of the participating companies (51%) indicated that they made some changes to their 2014 plans beyond the normal updates in goals and quotas. Those that did make changes focused on simplifying the plan and aligning the plan to the firm's strategy to acquire new customers. This apparently was done most directly by changing the measures and commission rates. The overall changes made to the compensation plans for 2014 are shown below:



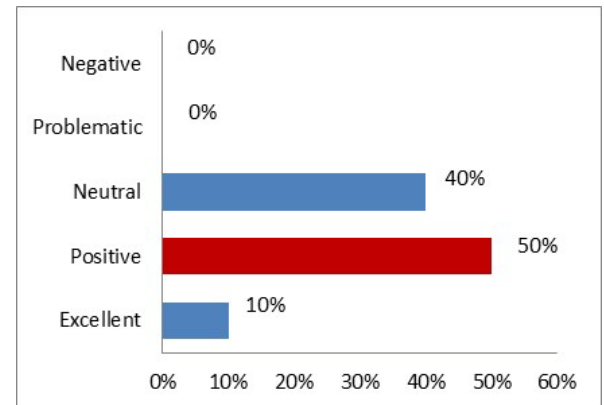
IV. Assessment of the Effectiveness

The charts below show the prevalence and experience with sales performance recognition programs. Approximately 21% of the respondents do not use these type of programs. Those that do, focus these awards on a President's Club or similar recognition clubs for sales achievement. Companies that use various types of performance recognition programs appear to have positive regards to the programs, with 60% indicating their effectiveness was positive to excellent. This indicates that those who currently do not use these programs should examine how they may supplement their current sales compensation programs or their sales growth strategies.

What type of sales performance recognition programs do you use?

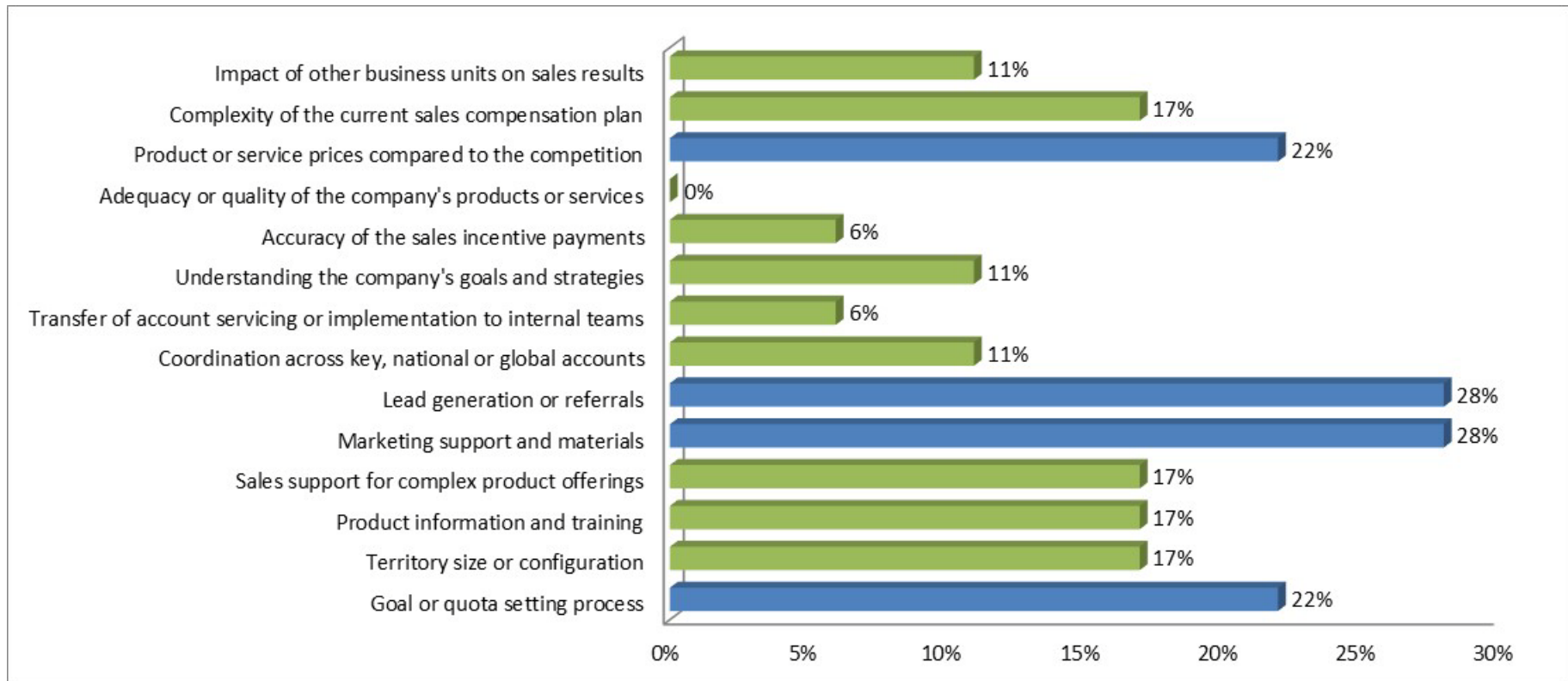


How would you assess the effectiveness of these sales performance recognition programs?



IV. Assessment of the Effectiveness

As a final question, we asked the participants to tell us what are the biggest concerns expressed by the sales representatives. They indicated their 3 – 5 most important concerns. The table below shows what these companies believe are the primary concerns of the sales force. The top items were the marketing and lead generating activities, as well as the goal/quota setting process and prices compared to competitors. While this is not unexpected, it does indicate that there are few concerns about the sales compensation plan. However, we find that these issues are often magnified by the sales compensation plans. Therefore, the challenge is to assure that the sales compensation plan is simple to understand, strategically aligned with the company, and integrated with a fundamental and effective sales process. Then, the best talent, applied in the most effective manner, should produce the best possible results.



PART V

Primary Conclusions and Ideas to Consider

V. Primary Conclusions and Ideas to Consider

We hope that you have enjoyed this special survey on sales compensation practices. We look forward to improving the survey information to better meet your needs for information and to establish important trends and insights on how companies are structuring their sales compensation programs. If there are specific questions not addressed in this survey, contact us; we may be able to help.

Based on the information presented in this report, we believe there are several things that are important for every organization to consider in making their sales compensation plans more effective for the organization and the sales professionals.

1. Examine the measures and assure that they are aligned with the strategy of the organization, and serve to focus and inspire sales professionals to do their very best. Companies are focused on increasing the number of customers and revenues.
2. Create opportunities to reinforce the progress people are making toward their sales goals. The survey data indicated a far less emphasis on performance recognition and performance management programs than we have seen in other organizations. Look for ways to encourage, reinforce and communicate the importance of revenue growth and goal achievement.
3. Make the performance-to-pay ratios meaningful to both the individual and the company. The company should look for ways in which the payouts reflect strong growth and profitability to the company; the individual should regard them as a meaningful “return on effort” for their achievements. The payout for exceptional may be exceptional, but does anyone achieve this?
4. Keep the plan (or plans) simple but not simplistic. It is critical that people understand their compensation plans, and have confidence in the numbers and decisions. Use administrative systems to reinforce the access to timely progress information and create opportunities to reinforce achievements.
5. Identify one or two important features of the plan that will give a competitive advantage. Make sure these are important to your sales force as well. Every effective plan has unique elements – what are yours?

If you would like to talk about your sales compensation plans, and explore ways to improve their effectiveness and make a positive impact on the company, please contact us. We would enjoy working with you and building better capabilities and performance in your company.

All the best to you,
Wilson Group

Overview of the Wilson Group

Overview of the Wilson Group

Our Mission:

“To help our clients assess, develop and implement performance systems and total compensation plans that translate strategy and values into action.”

Our Primary Services:

- Sales effectiveness and total rewards
- Executive total compensation
- Board of directors governance structure and compensation
- Employee total compensation and rewards
- Special studies in market trends and practices

Key Differentiators:

- **Our expertise --** Work with highly seasoned, experienced professionals
- **Our collaborative approach --** We engage our clients in a collaborative, open communication fashion
- **More cost effective --** Highly customized, value added to address just what the client needs
- **Innovative insights --** Simplifies complex data into easy to understand information and actions plans

Founded: 1994, Concord, MA

Clients and Markets:

We have worked with over 150 clients. They include:

- Information Technology – iRobot, Stratus Technology, IANS, Constant Contact, TripAdvisor, Care.com
- Manufacturing – A.W. Chesterton, MorphoTrust, Dynavac, Coopers-Atkins
- Professional services – Copyright Clearance Center, Boston Symphony, Shepley Bulfinch,
- Financial services – Quincy Mutual, Boston Mutual, DentaQuest, Capital Advisors

Overview of the Wilson Group

Leadership Team:

- Thomas B. Wilson, President
- Susan Malanowski, Principal
- Rhonda Farrington, Principal
- Plus a team of 5 other experienced professionals
- Our Network of additional specialized resources:
 - Independent Compensation Advisors (a national network of boutique peer compensation consulting firms)
 - Thomas E. Shea & Associates– Executive and Board Compensation
 - Independent Stock Plan Advisors– Global Equity Compensation
 - Marsh & McLennan New England (formerly the Bostonian Group) – Executive and Employee Benefits

Thought Leadership:

- Survey of Sales Compensation Practices – 2011, 2012, 2013, 2014
- Survey of Trends in Compensation – 2012, 2013, coming 2014
- “Goal Setting: What Has Gone Wrong and What Can Be Done” – published WorldatWork Journal, Fall, 2011
- “Changes for Challenging Times – Survey Report on Economic Challenges and Company Responses” (2009)
- Innovative Reward Systems for the Changing Workplace (McGraw-Hill)
- Rewards that Drive High Performance (AMACOM)
- Published over 30 articles and book chapters
- Presented at over 100 leading regional and national conferences

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