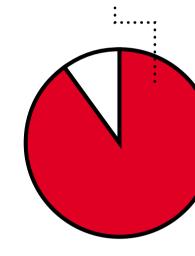
and Drive the Right Behaviors with a Winning Commission Structure

Sales Compensation Plan

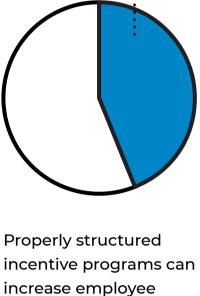
The Power of an Effective

90%



companies utilize incentive programs to reward their sales associates

90% of top-performing



performance by 44%

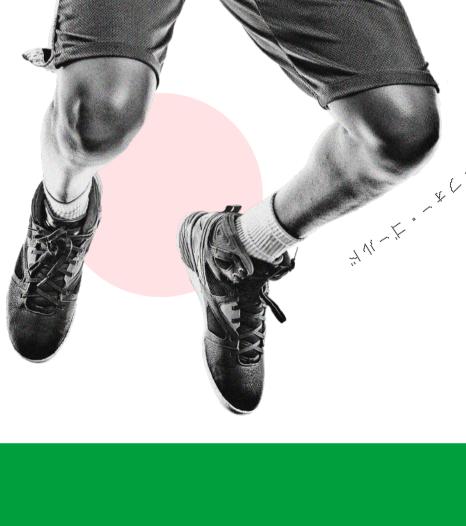
Establish Your Goals





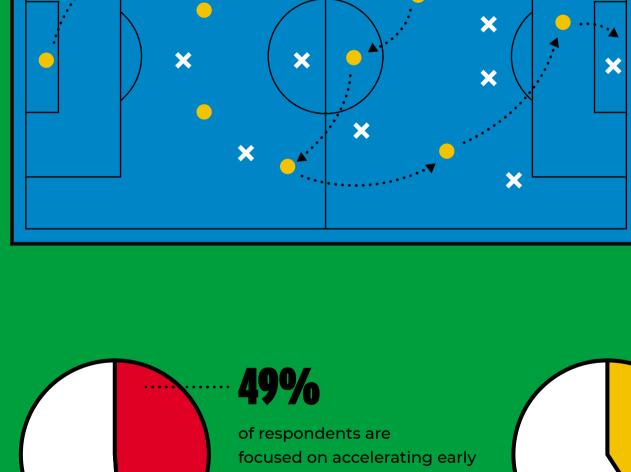
increase sales performance.

the right behaviors, and drastically



×

and Objectives



According to the latest research from Gartner, these are the three main issues that are top of mind for sales leaders in 2021:

Building a commission plan without establishing

goals and objectives is like attempting to drive

cross-country without any sort of map. Your

goals and objectives will determine how you

the specific behaviors you need to drive.

structure your commission plan and highlight

of respondents say of respondents say that

> driving effectiveness of global and key account

programs is a top

priority in 2021.

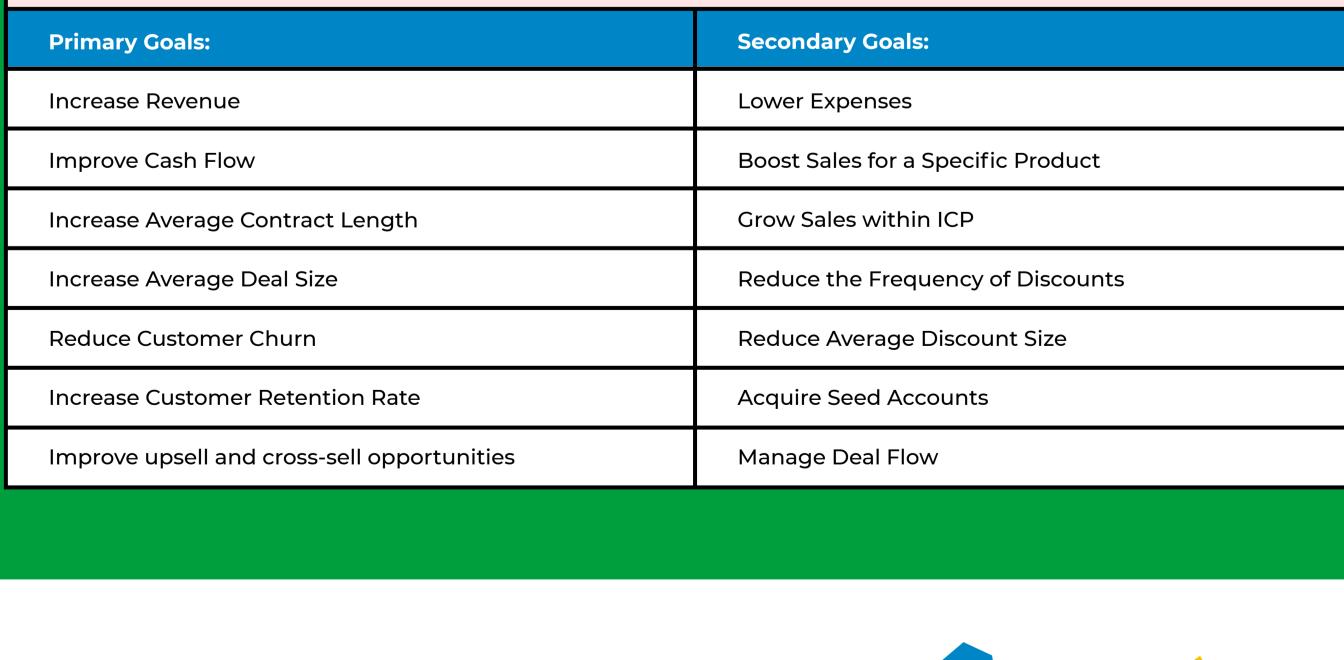
they're focused on

enablement tactics that

support virtual selling

and buying in 2021.





The foundation of any good commission structure is a good strategy. Unfortunately, there's no one-size-fits-all strategy that will work for every team- so you'll need to take a look at all options and pick the strategy (or combination of

Choose the Right

Compensation

Strategy

What is it? **Pros** Motivating Reps are only paid

strategies) that makes the most sense for your organization.

Here are a few of the most common options:



Straight Commission	Reps are only paid commission on each sale they make.	Motivating Reps have control More profitable for the organization	High turnover Lack of security Cutthroat environment	Start-ups with minimal resources Companies with very large ACV
Relative Commission	Reps are given a target quota and fixed commission amount. The amount of commission they earn is equal to the percentage of quota they hit. For example, a rep that hits 85% of their quota will earn 85% of their commission. This is typically in addition to a base salary.	Easy to personalize Easy to scale Easy to budget for more predictable	Ineffective if sales quotas are set incorrectly Little incentive for reps to exceed quota	Rapidly growing organizations with a wide range of sales functions
Absolute Commission	Reps are paid a certain amount of commission for each instance of a specific behavior. For example, SDRs might be paid \$500 every time they log 200 calls. This is typically in addition to a base salary.	Allows businesses to incentivize very specific behavior Easy to understand and roll out.	Not tied to overarching revenue goals Doesn't account for disparities between territories or sales functions.	Companies struggling to drive certain behaviors or hit certain targets.
Straight-Line Commission	SImilar to the relative commission model, the straight-line model pays reps a percentage of their commission relative to the percentage of their quota they hit. However, unlike relative commission models, straight line models have no cap or limit. So, if a rep achieves 110% of their quota, they'll earn 110% of their commission.	Incentivizes reps to exceed quota Easy to personalize Easy to scale	Difficult to budget for Ineffective if sales quotas are set incorrectly	Large sales organizations with a wide range of sales functions and a reliable forecasting motion.
Base + Commission	Reps earn a base salary plus commission from each sale they make.	More security Less pressure to make sales can lead to better relationships between reps and customers	Less profitable Lower commission rates	Base + Commission works for almost any type of organization
Base + Bonus	Reps earn a base salary plus a bonus every time they hit a specific sales target	Motivating More predictable Easy to budget for	Motivation may falter after reaching each milestone	Organizations focused on selling large quantities vs. single deals
Tiered	Much like the base + commission structure, reps earn a base salary and a percentage of each sale. Once they hit a certain number of sales, their commission percentage increases.	Extremely motivating at all levels	More difficult to predict and budget for	Larger, more established sales teams Sales leaders looking to better motivate reps
Gross-Margin	Reps are paid a percentage of the revenue earned on each transaction they facilitate. Products that earn a company more revenue will earn a rep more commission.	Prioritizes revenue above all else More profitable for the organization	Can motivate the wrong behaviors in reps (i.e. selling a more expensive product vs. the product that makes the most sense) More difficult to predict and budget for	Companies with a wide range of products and services Startups focused on becoming profitable
Territory -Volume	Reps are paid as a team based on the sales volume within a specific territory. The sales from each territory are totalled and the commission earned is split equally between the reps working that territory.	Facilitates a collaborative mindset Less pressure on the individual reps	Can seem unfair if reps are closing deals at different rates Less motivating than individual compensation models	Companies with complicated deal structures involving multiple team members
Draw-Against	Reps are paid a guaranteed amount that functions like a loan- no matter their performance. Some organizations require reps to repay these draws from future paychecks. Some organizations don't.	More security for reps	Less profitable for organizations Less motivating for reps	Companies with ramping reps or seasonal downturns
Multipliers	This model is a combination of the standard commission structure and a tiered commission structure. The closer a rep is to reaching quota, the larger their commission percentage will be. For example, a rep that is 0-50% of the way to quota may earn 5% of each sale in commissions. But a rep that is 90-100% to quota will earn 7% of each sale in commissions	Motivating for reps Tied to quota and organization goals	More complex More difficult to roll out and track More difficult to predict and budget for	Larger, more established sales teams with dedicated resources for compensation planning

acquire customers, 6x as likely to retain those customers, and 19x as likely to be profitable.

Consider the Complexity of

your Commission Structure

The right plan will be easy to understand and maintain but personalized enough

A plan that's too complex may be great at driving ultra-specific behavior in theory, but it will ultimately be difficult to roll out and maintain. If the sales team doesn't understand how or why they're being paid, chances are, your plan isn't motivating.

Data-driven organizations are 23x more likely to

6% More

23x More

Research shows companies that

inject data into their sales process

productive than their competitors.

are up to 6% more profitable and

Simple A simple plan is easy to roll out and keep track of but often doesn't do a good job of capturing the nuance between teams and individual reps. If your plan is too simple you'll find it difficult to motivate specific behaviors and ultimately, you'll

find it difficult to hit your goals.

to drive desired behaviors.

Think of your commission plans like Goldie Locks and the three bears. It has to be the right fit for your team. In this section, we're talking about

complexity and customization. When

crafting your commission plans, aim

for the "Just Right" section of the

table below.

Sales compensation impacts an

organization too much to build

commission plans based on gut instinct

alone. That's why we recommend using

both internal and external data sources

3x More

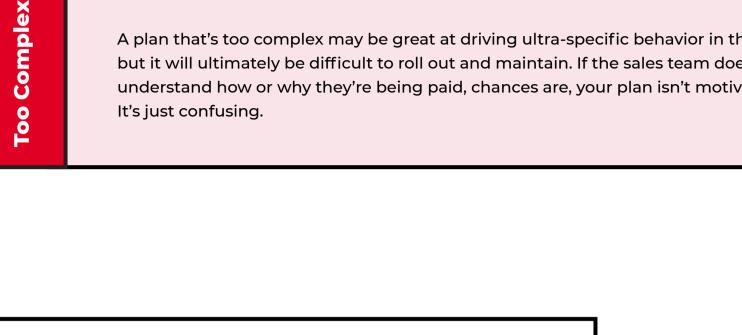
The most successful sales

organizations are 3x more likely to

rely on data and analytics than

underperforming sales teams.

to guide the plan creation process.



Measure, Monitor,

and Iterate

commission plan effectiveness:

As the saying goes, practice makes perfect. Chances are, you won't get your commission plan exactly right the first time around. And, that's okay! Just continue to monitor performance and iterate as you go and you'll achieve gold medal sales results in no time. Here's a quick checklist to help you review What are the core KPIs associated with the behaviors

Document these KPIs before rolling out a new commission plan and revisit them regularly. If you see these KPIs improving, there's a good chance your commission structure is working. Are your top performers your top earners? Ideally there should be a correlation between performance and commission pay. If your top performers aren't being paid the most, you might not be incentivizing the right behaviors.

paid in comparison to industry averages. If you're significantly higher or lower than comparable organizations in either category, you may have additional tweaking to do.

market standards?

you're trying to drive?

How do you stack up to industry benchmarks and

Consider how your sales performance compares to the performance of

others within your industry. Also consider how your sales reps are being

Spiff is a leading sales compensation platform that automates commission calculations and motivates teams to drive top-line growth. With a combination of intuitive UI, real-time visibility, and seamless integrations into current systems, Spiff is the first choice among high-growth businesses. www.spiff.com

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