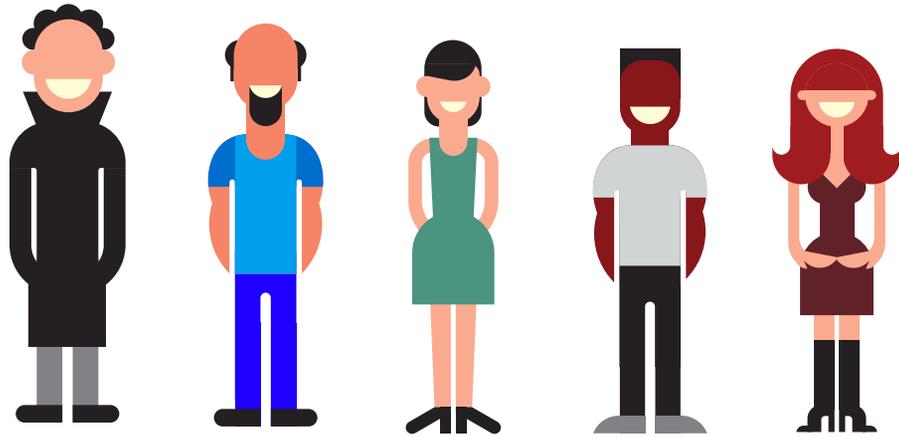


COMPLETE GUIDE TO SALES TEAM COMPENSATION

eBook





Putting together your sales team requires more than just hiring individuals to fill titles. You need to consider the specifics of each person's tasks, how those responsibilities move the team toward the given goal – and how to properly compensate each member.

Additionally, to motivate higher performance, different sales roles require different compensation plans. A 'one-size-fits-all' approach doesn't work. Compensation plans must be customized to what you are asking each role to perform in the sales process.

To help you determine the right compensation, here are the most common sales roles, best practices on how they should be rewarded through pay mix, and recommended plan components.

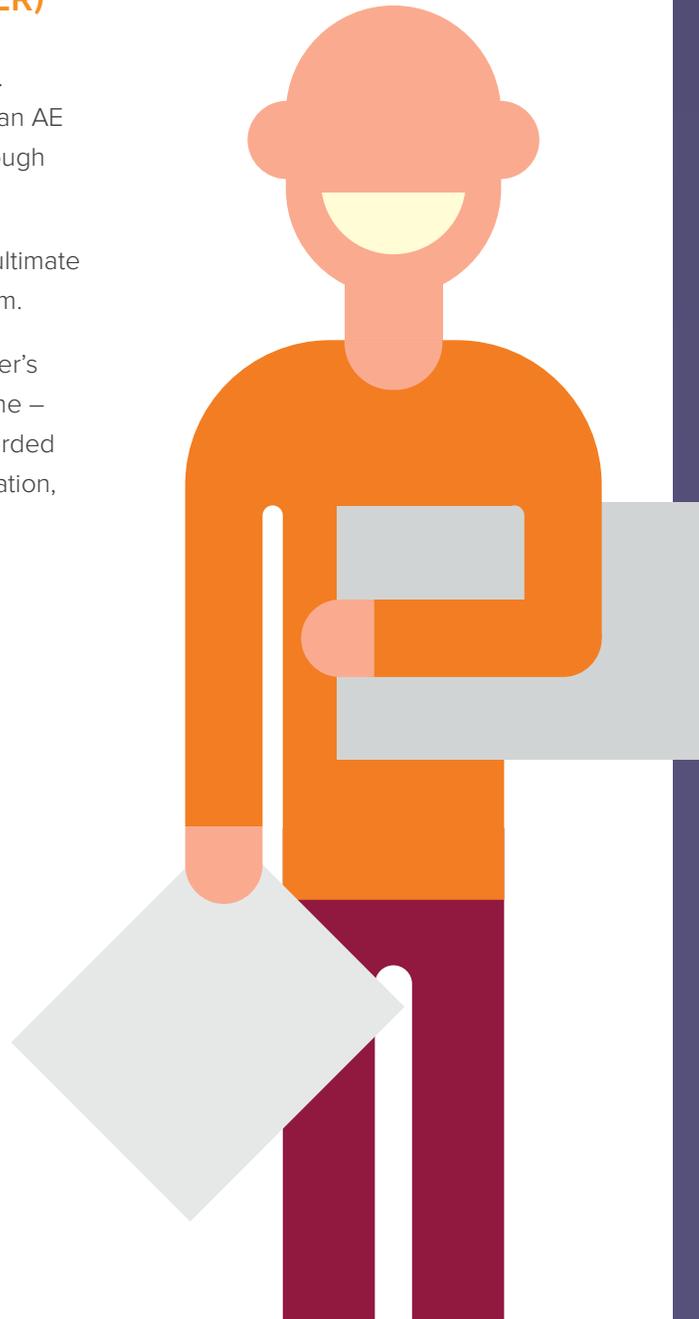
A successful sales team requires specialized sales positions to address separate objectives within the organization.

THE ACCOUNT EXECUTIVE (THE CLOSER)

The account executive (AE) is your traditional sales person. Charged with closing deals and bringing in new business, an AE works with prospects that have already been qualified through an established interest in the product or service.

Given their responsibilities, AEs have more impact on the ultimate outcome of a deal than any other member of the sales team.

With the success or failure of the deal hanging on this closer's abilities, they need to be rewarded for getting the deal done – and held accountable for not bringing it home. A well-rewarded AE can be incented for increasing revenue, market penetration, profit, or improving product mix.



Things to consider in constructing compensation plans for Account Executives:

Pay Mix

You want to ensure there is sufficient investment to incent Account Executives to pursue new business. We typically see the pay mix for Account Executives as 50/50 or 60/40.

Upside & Plan Mechanics

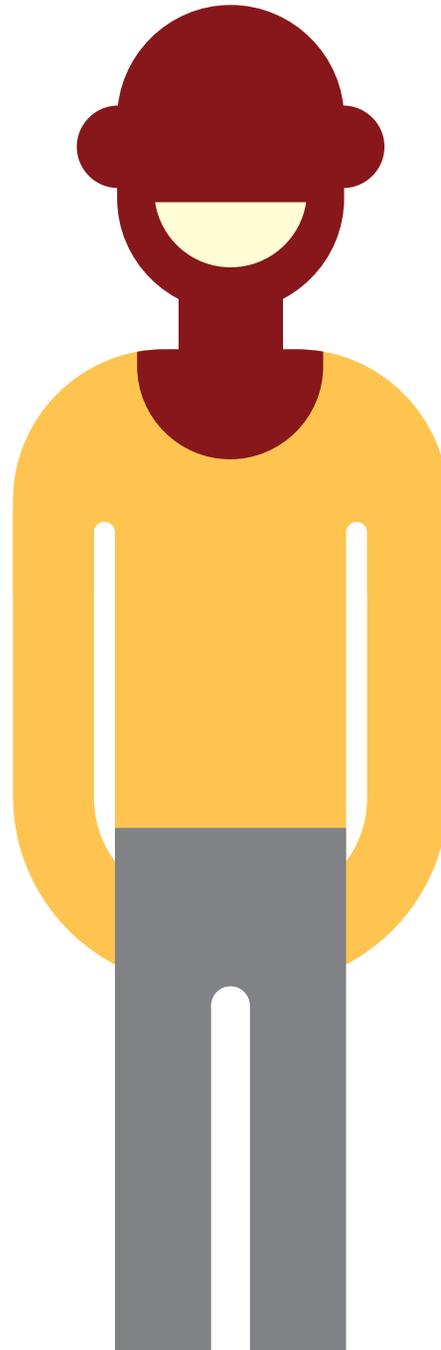
We often see top performers (i.e., top 10%) earn 3x more incentive pay than those performing at target.

SALES DEVELOPMENT REP (THE HUNTER)

The sales development rep (SDR) finds new qualified leads to track, so AEs can focus on their primary function – closing deals. In some businesses, SDRs are also known as cold callers. Whatever it's titled, this role creates the opportunity for the sale, but is not the actual person closing the deal.

SDRs research leads from a variety of sources. They build out their targets and then engage with contacts to gauge their interest. If a person in this role is working efficiently, they are teeing up qualified leads for AEs to close more easily. This is often an entry-level position that acts as a 'stepping stone' into other areas of the sales organization.

Finding new leads to chase is critical to company growth. Building an incentive plan centered on new leads will motivate SDRs more than other metrics.



Things to consider in constructing the compensation plan for SDRs:

Pay Mix

Their pay mix should be less aggressive than an AE because they have less influence over the final result. We typically see the pay mix for SDRs as 65/35.

Plan Components

Consider utilizing a portion of their incentive pay on passing leads to AEs, and a portion on the amount for which final deals close.

SALES SPECIALIST (THE EXPERT)

The sales specialist supports sales by presenting demos and developing proposals. The more complex the sale, the more important it is to have a sales specialist to help with any in-depth industry specific questions and challenges that may arise.

How difficult is the product or service to demonstrate to potential customers? Anything that increases the difficulty of the sales specialist role should increase the earning opportunity. Selling to prospective versus new or established customers can also be more challenging.



Things to consider in constructing compensation plans for Sales Specialists:

Pay Mix

Sales specialists aren't the ones closing the deal however they do play a vital role in the sales process. Their pay mix should be less aggressive than that of the AEs but more aggressive than a customer success rep. We typically see the pay mix for Sales Specialists as 70/30.

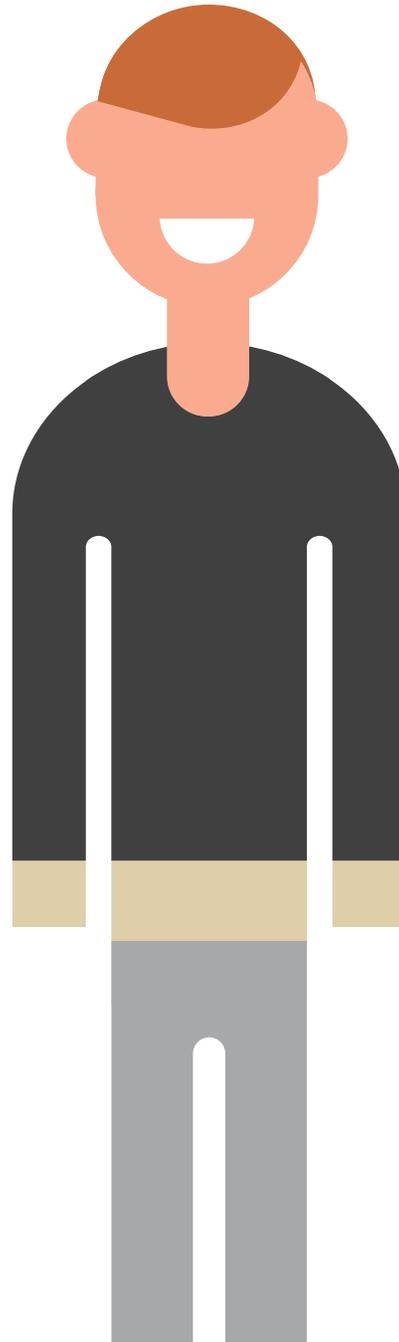
Plan Components

When creating a compensation plan for sales specialists, consider the technical complexity of the product. The sales specialist may also need to respond to competitive claims during demos – demanding a higher level of expertise.

CUSTOMER SUCCESS REP (THE FARMER)

The customer success rep focuses on renewing sales and up-selling current customers with different add-ons, etc. A team of customer success reps guarantees you don't miss opportunities to drive on-going revenue by tending to current customers and reducing churn.

Instead of focusing on the deal "right now," customer success reps need to make mid-term and long-term plans for their accounts. Customer success reps help keep customers happy and uncover new ways to do business with them. A well-built incentive plan recognizes the daily consultative outreach and up-selling activities that make the customer success rep effective.



Things to consider in constructing compensation plans for customer success reps:

Pay Mix

Customer success reps manage existing customers – making their role less risky than an AE who must get new business to get paid. We typically see the pay mix for Customer Success Reps as 75/25.

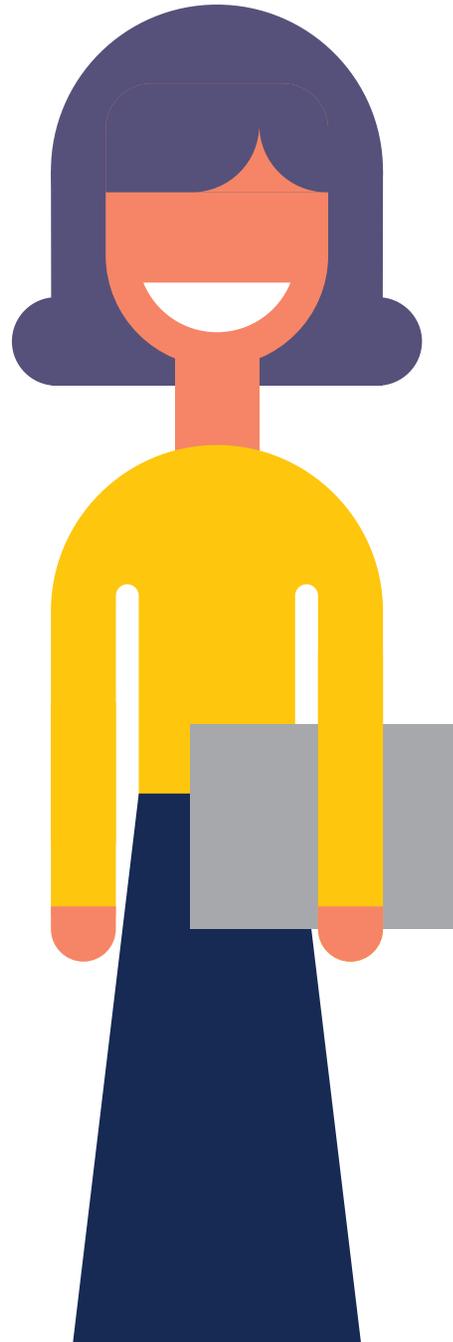
Plan Components

You want to reward customer success reps for their upsells or add-ons to orders. However, keep in mind maintaining balance between the retention and the upsell the primary goal for your customer success reps.

THE SALES MANAGER (THE LEADER)

Organizations need managers to teach sales skills, monitor rep performance and prioritize opportunities and deals. Coaching is a critical part of a sales manager's job – and vital to your sales organization's success. Holding the biggest responsibility for their team's performance, sales managers also need to be rewarded for that performance. Rewarding sales managers for team success motivates them to deliver the best numbers possible.

Many companies vary payout levels based on performance to reward top managers. Think about your sales cycle as you set the manager's performance period.



The sales manager should be measured on similar metrics as their team – with additional components relevant for a managerial role.

Pay Mix

As a part of their responsibilities, sales managers need to focus on sales coaching versus closing business. Because of this, a manager's pay mix is typically less aggressive than the reps that report to them (and they may even make less salary wise); a split of 70/30 is typical.

Plan Components

At many companies, reps don't have control over pricing and discounting policies. In these cases, it makes sense to measure reps on a revenue plan component, while sales managers should be measured on a margin or pricing component.

INCENTIVE REWARDS FOR SALES ROLES

Don't overlook incentives as part of your compensation program. Whether it's rewarding people for years of service, recognizing staff for their productivity, increasing the sales of a certain product, or just publicly acknowledging a job well done, savvy leaders know that employee incentives drive performance.

Let's say your main goal is to build top line revenue growth, but you're not sure how you're going to accomplish that. You can use incentives to help you reach your objective by aligning sales rep's behavior with the revenue goals laid out by executive leadership.

An employee incentive can drive your customer success representatives to build rapport with existing customers so that they will follow up, create relationships, and upsell when appropriate and helpful.

Employee incentives drive the behavior you want. Whether it's ensuring that customer success reps are attentive to customers' needs or motivating SDRs to invest in personal and professional development, employee incentives can help you accomplish your business goals.

Try using employee incentives – even if you start small. Maybe that means choosing an SDR and AE of the month and giving them a gift certificate. Make sure to educate sales people role-by-role about the link between the reward they receive and the behavior that got them the reward.

Incentives help reduce turnover by making people feel valued and appreciated.

According to Harvard Business Review,

“turnover can be one of the most expensive problems at a company. Business leaders can attract and retain top talent more successfully with the use of employee incentives.”



CONCLUSION

According to the 2015 CSO Insights Sales Compensation & Performance Management Study, a well-designed sales compensation plan can improve your ability to meet key business objectives – increasing the number of people beating quota, improving forecasting accuracy, and reducing turnover.

By building a compensation plan specifically designed for each sales role, you can motivate higher performance across the team – directly benefiting your bottom line. As you create a plan, don't overlook employee incentives. They should be a key component in compensation with their ability to incent and drive the desired behaviors.



Leading Companies Choose Xactly for Sales Performance Management

A leader in Gartner's Magic Quadrant for sales performance management (SPM), Xactly delivers compensation and incentive management software that transforms how businesses motivate and inspire their workforce. Hundreds of customers, including Hyatt Hotels, Workday, DocuSign, LegalZoom and more, have chosen Xactly to automate and manage their compensation processes. With Xactly, they can ensure accurate and timely payments, improve efficiencies, and give every stakeholder instant access to and analysis of their compensation data.

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