

Sales Compensation Plans

The Goal:

The Sales Management Group helps clients accomplish three goals with their sales compensation plans:

- Achieve short-term and long-term corporate targets for: revenue, profitability, product mix, customer mix, and customer satisfaction
- Attract and retain the best sales force possible
- Motivate sales reps to achieve their personal and professional goals



The Challenge:

Many sales compensation plans pay commissions as a percentage of revenue or gross profit on all transactions regardless of product mix, customer type, target market or sales role.

These compensation plans reward immediate success and revenue. They motivate your sales representatives to close sales and drive revenue each week or each month, but they reward your sales representatives for focusing on transactions not on developing relationships. They also don't reward your sales representatives for selling strategic products versus commodities.

In the short term, this compensation strategy can drive more revenue, but over the long term, sales cycles become longer, customer turnover is higher and transaction sizes are smaller. If sales representatives are not paid to invest in long-term strategic relationships with key accounts or sell strategic products into target markets, the result is short-term gain at the expense of long-term growth.

Our Recommendation:

The Sales Management Group designs balanced sales compensation plans that support your strategic, long term goals while also driving near-term revenue. We include a comprehensive set of terms and conditions to reduce your company's risk and maintain its control.

The Sales Management Group's sales compensation plans address a variety of strategic goals including:

- Short-term revenue
- New accounts
- Strategic accounts
- Customer satisfaction
- Product mix
- Customer mix

To drive desired activities and outcomes, we also recommend implementing customized plans for each sales role in your organization, such as: direct sales, inside sales, business development and key account sales.

The Sales Management Group's sales compensation plans feature these components:

- Base salary
- Variable compensation – commissions, bonuses, awards
- Draws
- Quotas
- Payment cycles
- Terms and conditions